Vodafone Group Plc

Annual Report & Accounts

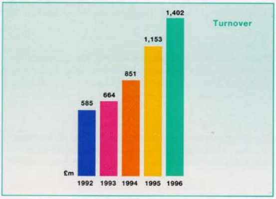
For the year ended 31 March 1996

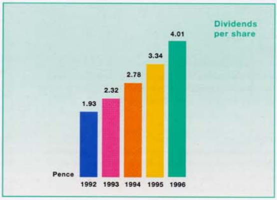
VODAFONE GROUP

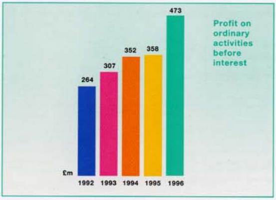
Contents

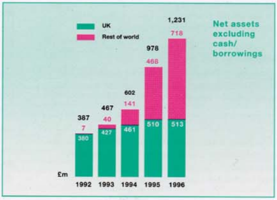
RESULTS AT A GLANCE

	1996 £m	1995 £m
Turnover	1,402	1,153
Profit on ordinary activities before interest	473	358
Operating cash flow	615	386
Net assets (excluding cash/borrowings)	1,231	978
Earnings per share	10.15p	7.80p
Dividends per share	4.01p	3.34p

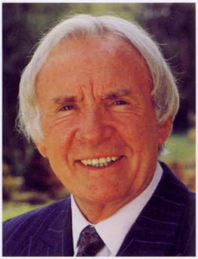








BOARD OF DIRECTORS



Sir Ernest Harrison OBE
Chairman

Sir Gerald Whent CBE
Chief Executive

Chairman

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

Aged 70, he was appointed to his present position in 1988. He is Chairman of Racal Electronics Plc and Chubb Security Plc, and is a director of Camelot Plc.

Chief Executive

Sir Gerald Whent CBE

Aged 69, he has held this position since the Company's flotation in 1988, prior to which he was Chairman and Managing Director. He is Chairman of most of the Group's principal operating subsidiaries and Panafon SA. He is also a non-executive director of Racal Electronics Plc.

Directors

Sir William Barlow F Eng*

Aged 71, he was appointed to his present position in 1988. He is immediate past President of the Royal Academy of Engineering and is a director of Waste Management International plc and Chemring Group plc.

Sir Robert Clark DSC*

Aged 72, he was appointed to his present position in 1988. He is Chairman of Mirror Group Plc and a non-executive director of a number of UK companies, including Lowndes Lambert Group Holdings Plc.

D Channing Williams BA MBA

Aged 48, he was appointed to the Board in 1996 having joined the Group in 1985. He is Chairman of the group of companies responsible for value added services, paging and data networks.

C C Gent

Aged 48, he joined the Board in 1985. He is Managing Director of Vodafone Limited, the UK network operator, and is also a director of a number of companies overseas in which the Group has an interest, including Vodacom Group (Pty) Limited and Libertel Groep BV.

D J Henning BSc

Aged 54, he was appointed to the Board in 1992 and represents the Group's service provision business.

J M Horn-Smith BSc MSc

Aged 47, he was appointed to the Board in 1996, having joined the Group in 1984. He is Managing Director of Vodafone Group International Limited.

K J Hydon FCMA FCCA

Aged 51, he was appointed to the position of Group Financial Director in 1985. He is a director of several Group companies including Vodafone Europe Holdings BV and the pension trustee companies and he also deals with US investor relations.

G J Lomer CBE F Eng*

Aged 64, 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 is Chairman of Satellite Information Services Limited.

E J Peett CBE

Aged 60, he has been a director of the Company since 1985. He is responsible for regulatory affairs and is also a director of a number of companies in which the Group has interests in the UK and overseas.

Secretary

S R Scott MA, Solicitor

* non-executive directors

Registered Office

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

I am pleased to report results which reflect strong growth from the Group's UK operations and continuing progress from the Group's international businesses. Turnover increased by 22% to £1,402.2m (1995 – £1,152.6m) and profit on ordinary activities before taxation amounted to £475.1m (1995 – £371.1m), an increase of 28%.

Operating cash flow, which increased by 59% to £615.2m (1995 – £386.0m) and borrowings have been used to finance network development, overseas investment and subscriber growth.

The number of subscribers worldwide (proportionate to the Group's equity stakes) increased by almost one million to over three million at 31 March 1996.

Overseas businesses, Panafon SA (Greece), Vodafone SA (France) and Vodacom Pty Limited (South Africa) which were previously loss making, moved into operating profit.

The 30% growth in earnings per share reflected the Group's strong operating performance and a lower effective tax rate as profitable overseas businesses utilised tax losses.

The dividend has been increased by 20% to 4.01p per share for the year.

The Company

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

In the UK, Vodafone Limited enjoyed an outstanding year of growth in an increasingly competitive market, connecting over 630,000 net new customers to its analogue and digital networks, a growth of 35% in its subscriber base. Of these new connections, over 55% were to the digital service. In June 1995 it became the first UK operator to achieve two million connected subscribers, ending the financial year with over 2,450,000 subscribers. Vodafone has maintained its market leadership in both subscribers and revenue. Overseas, the Group's proportionate subscribers on its networks more than doubled to over 585,000 at 31 March 1996 which now represents over 20% of the Group's subscribers.

The Group has continued to implement its strategy of developing its existing businesses. During the year, significant investments were made in Australia, South Africa and the Netherlands.

Since the year end, the Group has announced that it has exercised an option to acquire, for Ffr 2.3bn, a further 6.5% of the equity of Société Française du Radiotéléphone SA, one of the two GSM network operators in France, increasing its holding to 16.5%. The Group has an option to increase its shareholding to 20% before the end of December 1997 at the same price per share.

In April 1996, AAP Information Services Pty Limited exercised an option to acquire 5% of Vodafone Pty Limited, the Australian network operator, in fulfilment of an agreement entered into when the licence was granted in 1992.

STATEMENT BY THE CHAIRMAN

Orbitel

Orbitel Mobile Communications Limited, jointly owned with L M Ericsson of Sweden, was established to provide a manufacturing base in the UK for analogue cellular infrastructure equipment and handsets and to design, develop and manufacture next generation digital products. The Vodafone Group's portfolio of businesses, both in the UK and overseas, is entirely service oriented and there is no longer a requirement for the Group to own a manufacturing facility. Therefore, after the end of the financial year, the Company sold its 50% holding in Orbitel to Ericsson.

Board Appointments

In June 1996 the appointment of David Channing Williams and Julian Horn-Smith to the Group Board was announced. I am delighted that David and Julian are joining the Board. They have extensive experience in cellular telephony both in the UK and internationally and have made major contributions to the growth of the Group. Their skills will undoubtedly further strengthen the Board.

Retirement

John Dellow, Operations Director of Vodafone Limited, retired at the end of May 1996. John joined Vodafone Limited in 1983 and was responsible for building its nationwide cellular network, a magnificent achievement which was recognised by his being awarded the OBE. We wish him a long and happy retirement.

E W Beddoes OBE

The announcement in Her Majesty's New Year's Honours List that Ted Beddoes, Technical Director of Vodafone Limited, had been awarded an OBE was delightful news to us all. The honour is well deserved for his outstanding contribution to the telecommunications industry and to the Vodafone Group.

Appreciation

Such successful results could not be achieved without the commitment and loyalty of the Company's staff. On your behalf, I wish to thank them for their dedication and effort.

Future Prospects

Strong demand for mobile telecommunications services continues worldwide.

The emergent new operators have made the UK cellular market more competitive. Vodafone operates the UK's largest digital network and, after repositioning its tariffs, is well placed to continue to be the market leader.

In many of the overseas markets in which the Group operates cellular penetration is low and this should enable the overseas businesses to grow and make a substantial contribution to Group profits.

The Group's strategy is to concentrate on mobile telecommunications services, focussing on Western Europe and the Pacific Rim. The number of new overseas licences being awarded is diminishing and future expansion will be through increased shareholdings in existing network operators coupled with substantial organic growth.

With the Group's prominence in the UK and expansion overseas, it is well positioned to deliver sustained growth and increased shareholder value.

Sir Ernest Harrison OBE

Vodafone is pleased to be co-operating with the Scottish Office in extending coverage to the Highlands and Islands, supported by a grant from the European Community. ▶

UK Cellular Radio Network Operations

Vodafone

Vodafone Limited enjoyed an outstanding year of growth, in a much more competitive market, connecting over 630,000 new customers to its analogue and digital networks, an increase of 35%. Of these new connections, over 55% were to the digital service.

In June 1995, Vodafone became the first UK network operator to provide service to 2,000,000 subscribers. By the end of March 1996, Vodafone had also become the first UK digital network to achieve 500,000 connected subscribers. With over 2,450,000 subscribers by the end of the financial year, Vodafone has sustained its market leadership in terms of both subscriber numbers and revenue.

Of over 350,000 new digital customers, 23% (representing 81,000) transferred from the company's analogue network. Most of these, over 72%, joined the 'Business World' digital tariff, taking advantage of the widespread roaming capability available through the GSM standard, now being implemented in over seventy countries.

▲ The AA Vodafone Roadwatch public face is a fleet of distinctive mobile reporters passing live traffic information from the scene. Vodafone technology allows this information to be transmitted via the AA to journalists in radio studios.

During the year, the rapid expansion of the digital network continued with the addition of over 600 new base stations. At the year end there were 2,380 digital base stations in service, more than half of which are of a new environmentally sensitive design.

Capital expenditure for the year was £155 million, of which £123 million was spent on the digital network. The majority of the remainder was spent on computer equipment and software.

Quality of service continues to be Vodafone's top priority. Surveys show that Vodafone continues to lead all networks, with a 90% success rate for calls in declared coverage areas. It also leads all networks on general geographic coverage, with an 80% success rate on all A roads and motorways, and in major towns, whether or not within declared coverage. The company intends to maintain this leadership by the continued expansion of the digital network, now expected to exceed 4,400 sites when complete.

When the digital system is complete, and all frequencies that can be moved have been migrated from analogue to digital, the system capacity will be in the order of 14 million subscribers.

In February 1996, the Department of Trade and Industry published a consultative document on the future allocation of radio frequencies and announced its intention to award additional spectrum, in the 1.8GHz frequency range, to the company. Vodafone welcomes this allocation and intends to use it for new services and applications which will further extend the capabilities of, and the market for, mobile telecommunications services.

The growth in the consumer market has necessitated strategic media advertising campaigns to maintain Vodafone's brand awareness. ▶


The Vodafone Network.
You are not alone.

Vodafone (continued)

During the year, churn (the rate of subscribers leaving the service) declined to 25.6% from 28.5% in the previous year. Approximately 5% of this churn is accounted for by customers moving from one service provider to another, whilst remaining on the Vodafone network, giving an underlying rate of approximately 20%.

To reward customer loyalty, Vodafone became the first UK network to offer long-standing customers a 5% discount on national call charges, rising to 10% for customers remaining loyal for a further two years. This was introduced from 1 April 1996 and should contribute to a further reduction in churn.

Vodafone has taken a number of initiatives to protect subscribers from cloning fraud. In November 1995, it became the first network in the world to introduce a full authentication system for users owning analogue phones capable of such protection. All new analogue phones have this capability and over 50% of Vodafone's customers can now take advantage of this protection.

▲ *Vodafone has significantly reduced the fraudulent use of mobile phones on the analogue network through technical innovation and support to police investigations.*

This, and the continuing move to the digital network, which is not susceptible to cloning, will ensure a much reduced fraud level in the future. The company was pleased to receive an industry sponsored award for the introduction of authentication.

To protect customers on non-authenticating analogue phones, Vodafone has introduced a facility which interrupts calls being made on cloned mobiles when they coincide with calls being made by legitimate customers, whose numbers have been duplicated. It is hoped that subscribers will move to new, authenticating, analogue phones, or to the digital network, to gain full protection. Fraudulent calls equated to approximately 1% of Vodafone's turnover.

Vodafone is a co-sponsor of the Federation of Communications Services Initiative Against Crime, announced by the Home Secretary in February 1996. An appointed Inspectorate will investigate dealers who are alleged to be involved in cloning and recycling stolen phones. The company welcomes these initiatives.

In December 1995, Vodafone announced new tariffs for its digital service incorporating, for the first time, per-second billing and options enabling subscribers to purchase 'bundles' of free minutes, and the ability to make local calls to the fixed network at the off-peak rate. These options were formally introduced on 1 April 1996, although some service providers who were able to quickly adapt their billing systems were able to offer them from 1 January. The new tariffs have already proved to be most successful, attracting 62% of the net digital growth of over 108,000 in the first three months of 1996, and have helped to increase Vodafone's leadership in the provision of digital services.

Vodafone's service providers are increasingly moving towards High Street specialists and multiple retailers as the most effective route to market. At the year end, over 500 specialist outlets and six High Street chains distributed mobile telephones connected to the Vodafone service. This activity is supported by branding initiatives which include sponsorship of the Derby Meeting and a new television advertising campaign.

Vodafone's sponsorship of racing's premier Classic has done much to promote the brand across all socio-economic market sectors. ▶


VODAFONE ·
THE VODAFONE DERBY
VODAFONE DERBY
VODAFONE

UK Service Provision

Vodac

Vodac Limited is the largest of the Group's service provision companies which retail mobile phones, airtime and services on the Vodafone networks.

Since 1 April 1995, following the transfer of its personal subscriber business to Vodacall, Vodac has refocussed itself to address the particular requirements of corporate, government and business customers.

From its headquarters in Newbury and eight regional offices, the company serves the market with a national direct salesforce. In addition, it has an extensive network of independent dealers throughout the UK and a chain of Vodastore Communications Centres which specialise in meeting the needs of local business customers.

▲ *The introduction of Vodastore specialist retail outlets has provided a high level of local service to business customers.*

Vodac continues to offer a range of the latest cellular telephone equipment from the world's leading manufacturers, for connection to the Vodafone network.

Fraud, churn and bad debt issues experienced during the previous year have all been successfully tackled. However, growth during the year to 31 March 1996 was modest, as a result of the initiatives taken.

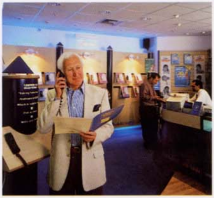
The company continues to make a significant investment in new administration systems and procedures. 'Recovery', a rapid exchange and repair service for subscriber equipment and a range of 'Fonesure' packages have been introduced, with the aim of further improving the quality of service which the company provides to its customers.

Vodac ended the financial year trading profitably with 288,000 subscribers and, with the introduction of its new digital 'Speak' tariffs, is now experiencing increased demand through its dealer and direct sales channels.

Vodacom

Vodacom Limited had a record year, increasing its customer base by 50% to almost 200,000 subscribers.

This growth was achieved through a variety of distribution channels, including the company's corporate salesforce, the development of quality dealer outlets and the continuing expansion of the London Car Telephones brand in London and South East England. Vodacom also enjoyed continuing success in managing consumer promotions in conjunction with major retailing and financial services partners.



▲ *There are now more than 25 London Car Telephones stores throughout London and the South East of England, offering a range of mobile phone equipment and services, as well as expert advice to the customer.*

▲ *As London's premier service provider, Vodacom promotes its London Car Telephones brand across a wide range of advertising media.*

The company traded profitably during the year, using its advanced customer administration and billing systems to manage costs, minimise churn and provide the level of service required by its diverse customer base. These systems also provided excellent on-line support to the company's dealer and retail operations throughout the country.

Vodacom was also heavily involved in the establishment of Liberfone, a service provision business in the Netherlands, set up to connect customers to Libertel, the Dutch GSM cellular network which is 35% owned by the Vodafone Group. This task was successfully achieved in a six-month period, taking advantage of Vodacom's experience in service provision and its established UK systems and procedures.

Vodac's New Corporate Customer Care specialists work in teams to ensure a prompt and efficient response to subscriber queries. ▶

UK Service Provision (continued)

Vodacall

Vodacall Limited commenced business on 1 April 1995, having taken over Vodac's personal subscriber business. The company concentrates upon the consumer market.

Individual consumers tend to purchase their mobile phones from High Street outlets. These may either be specialist outlets or multiple retailers.

The Automobile Association and Dixons The Link stores are amongst those that have been added to Vodacall's existing multiple retailer outlets, which already include Comet and the John Lewis Partnership. In addition, the company has recruited Pinnacle Vodafone Shops and the Pocket Phone Store, independently owned mobile specialists with a very strong High Street presence in Scotland and the South of England respectively. Together, the new and existing retailers will assist Vodacall in increasing its connection levels in the coming year.

The consumer market tends to produce lower levels of revenue per customer and lower margins. This factor has necessitated a keen focus upon cost reduction and the promotion of additional network products and services. Fraud prevention has been addressed by the introduction of highly effective credit vetting and customer verification procedures and the close monitoring of statistics which highlight, at the earliest moment, subscriber behaviour patterns which may indicate the possibility of fraudulent activity.

A substantial investment in new systems is being made which will enable Vodacall to further reduce its cost base during the coming year. Value added services are now being widely marketed, leading to increased revenue and margins from the sale of services such as the 'Recall' voice messaging system, insurance and accessories.

Several new partnerships were launched during 1995, in particular with the Trustee Savings Bank and Norwich Union, both of which provided encouraging levels of connections from their respective customer bases.

Associates

Independent service providers, Astec Communications Limited, Cellphones Direct Limited, Martin Dawes Telecommunications Limited, Mobile Telecom PLC and Talkland International (UK) Limited, in which the Group has strategic investments, performed to expectations.

▲ *Making the first call as a Vodacall subscriber is simplified by comprehensive Welcome Packs, customised for the consumer market.*

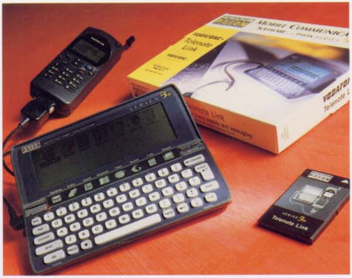
Mobile phones are now perceived as commodity products by the consumer market and are widely available from High Street multiples. ▶


COMET
AUDIO · VISUAL · DOMESTIC
Mobile phones
Even when you're out, you can still keep in touch.
THE COMET PRICE
PINNACLE
VODAFONE SHOPS
The Pocket Phone Sho
communication centres
Pocket Phone Shop

UK Value Added Network Services

Vodata

Vodata Limited had another excellent year, with growth in both turnover and profits. Voice messaging continues to grow strongly and there are now in excess of 600,000 customers who use the 'Recall' automatic personal message answering service. Second generation equipment technology, providing more flexibility for novel services and allowing for rapid increases in capacity in line with market demand, has been introduced and now carries over 20% of the user base. Major enhancements to the 'Recall' service, providing digital subscribers with a choice of message alert and delivery facilities, are undergoing technical trials at present and will be introduced during the summer. These will maintain 'Recall' as the premier public voice messaging service in the UK and Vodata's acknowledged leadership in this field.



▲ *The award-winning Vodafone Telenote Link allows the user to send short text messages to digital mobile phones from a Psion 3A Organiser.*

Demand for personal numbers is increasing and in December 1995 Vodata launched the UK's first comprehensive Personal Numbering service using the 07000 prefix. It has already established the largest subscriber base in the UK for this type of service. Strong interest has also been shown in Vodata's Personal Freefone service, using the 0321 prefix.

Progress has been made during the year in promoting the Short Message text service for use on the Vodafone digital cellular network. 'Vodafone FoneMail', a sophisticated Windows 95 application, permits the sending of 'Telenotes' to a subscriber to the Vodafone digital network from a personal computer, and the receipt of delivery confirmation and replies. 'Vodafone Telenote Link,' a product for use with the popular Psion 3A Organiser, has also been launched and received an industry award for the most innovative service in 1995. This is the first time that Vodata technology has been made available in the High Street.

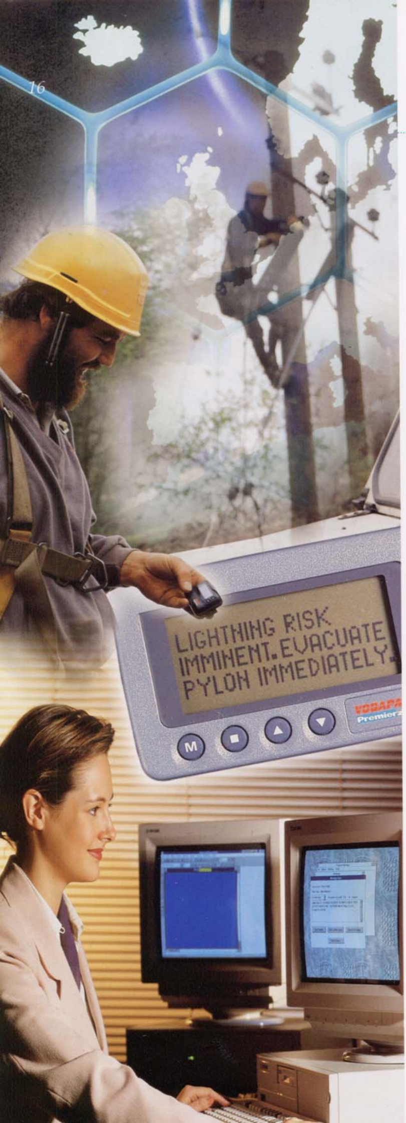
Advances have also been made with the provision of information through the use of a Short Message. The 'Vodafone Minute Manager' service, which allows Vodafone digital subscribers on call-inclusive tariffs to determine how many call minutes have been used by dialling the short code 1793, and the first commercial financial information service have been launched.

▲ *Vodafone FoneMail enables Telenotes to be sent from a PC to digital mobile phones.*

A number of new services are currently under development and are expected to be announced later in 1996. They will include enhancements to credit card controlled telephone services and further extensions to Vodata's range of messaging services.

Vodata's Personal Numbering service allows subscribers to receive calls wherever they are, using just one number. ▶


GRANADA



REVIEW OF OPERATIONS

UK Radiopaging

Vodapage and Air Call

Vodapage Limited and Air Call Communications Limited have produced an outstanding performance for the year, exceeding previous profits and maintaining their share of the traditional UK radiopaging market.

The companies utilise dedicated national salesforces, working out of their Newbury headquarters and from a number of regional sales offices. These are complemented by a nationwide network of dealers and distributors, the whole operation being supported by a computerised customer services system, co-ordinated with the pager distribution and repair organisation.

The companies' positions have been further strengthened by their continuing success in the strategic development of key corporate and government market sectors, which they manage through dedicated specialists.

A complete range of tone, numeric and alpha-numeric paging services is offered across the two networks, with both regional and nationwide tariffs. More stylish and compact pagers continue to join the family of products, with the accent on full alpha-numeric capability.

The further introduction of a series of innovative products has added to the companies' success and maintained their competitive edge. The launch, this year, of 'Direct Input' products has enabled customers to send messages directly to pagers without contacting the bureau operator service. This maximises the benefits of convenience and speed of message delivery which radiopaging intrinsically offers.

More recently, the launch of 'Pageware' computer software offers a most convenient form of advanced messaging and E-mail notification to organisations operating with both pagers and digital mobile phones. This PC-based messaging system enables users to send paging messages direct from a networked workstation, with the added benefit of automatic forwarding of E-mail messages to pagers or to digital Vodafones which have the Short Message facility.

◀ *Many industry sectors rely upon radiopaging to communicate instructions to their field operations personnel.*

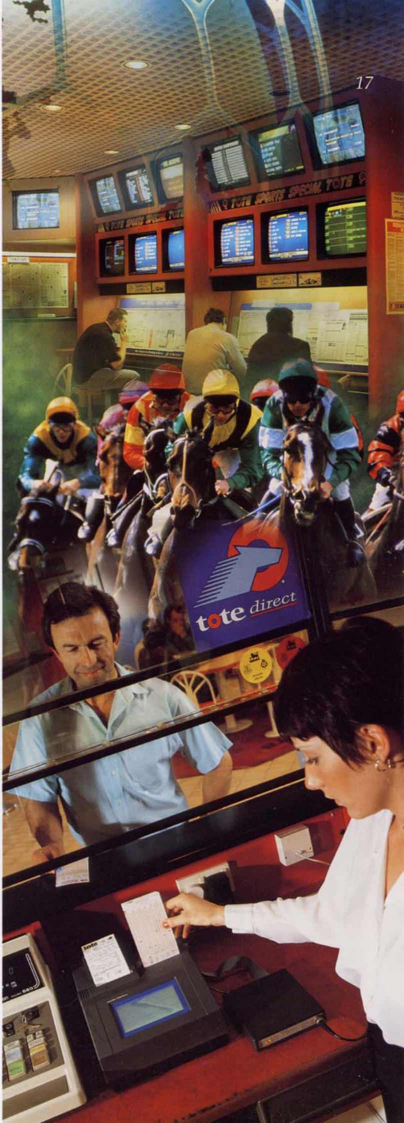
UK Packet Radio Network Operation

Paknet

Paknet Limited, the Group's radio based public data network, had another successful year, with increased turnover and profits, confirming its position as the most successful radio data network in the UK.

Paknet's unique technology, providing instant call connection and fast transfer of bursts of data, makes it ideal for many data transaction applications. Growth has continued in the existing market segments of point-of-sale, security and telemetry, in addition to the exchange of messages between vehicles. Particular success has been achieved in providing communications for 'Tote Direct' horserace jackpot betting, from bookmakers nationwide.

Paknet is now very well established and set to grow further in the future.



Paknet provides complete data communication solutions using the latest technology. ▶

International Operations

The Group's overseas interests expanded successfully and the financial performance of all the overseas networks met, or exceeded, expectations during the year.

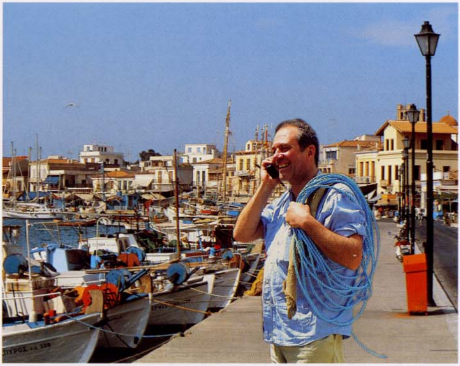
Vodafone Group has continued to seek business opportunities in new overseas cellular network operations and to further develop its existing overseas interests. Commercial service commenced in the Netherlands and in Uganda and the Group increased its shareholdings in companies in Germany and Sweden. On its overseas networks, the Group's share of subscribers at the end of March 1996 was over 585,000. This represents an increase of approximately 130% during the financial year. Overseas subscribers now represent over 20% of the Group's total.

The Group's international highlights are set out below:

- In May 1995, the Group increased its shareholding in NordicTel Holdings AB, one of three GSM network operators in Sweden, to 19.5%. NordicTel's 'Europolitan' GSM network had 185,000 subscribers at 31 March 1996.
- In June 1995, Celtel Limited, a joint venture company in which the Group holds a 36.8% interest, commenced commercial service on its GSM network in Uganda. The network currently covers Kampala and the surrounding areas along the northern shore of Lake Victoria. Initial subscriber connections and usage have been very encouraging and, at 31 March 1996, Celtel had 1,800 subscribers.
- On 29 September 1995, Libertel BV, a 35% owned associate, commenced commercial service in the Randstad area of the Netherlands, thereby introducing competition into the Dutch cellular market. Network rollout is proceeding according to plan and effectively full geographic coverage is expected to be achieved by the end of 1996. Libertel had 55,000 subscribers at 31 March 1996.

  The Group also has a 35% interest in Liberfone BV, a service provision company retailing airtime and services on the Libertel network. At 31 March 1996, Liberfone had over 33,000 subscribers.
- The Group has a 45% interest in Panafon SA, which has more than 50% of the Greek mobile phone market. The company had a highly successful year and was profitable, with subscriber growth again comfortably exceeding expectations and 176,000 subscribers were connected at the end of the financial year. Network coverage now extends to all significant towns, highways and cities as well as to most of the islands, where significant roaming traffic is expected.

  Panavox SA the Group's 45% owned service provider in Greece was trading profitably and had approximately 50,000 subscribers at the end of a very successful year.
- In January 1996, the Group disposed of its 15% interest in Servicios de Radiotelefonia Movil SA (SRM) in Spain, at a profit.



▲ *Tourists and local people on the Greek Islands can now benefit from the expanded digital network in this region.*

Full coverage of the Netherlands is expected by the end of 1996. ▶

International Operations (continued)

- Vodafone Pty Limited, the Group's GSM network operator in Australia, had more than 175,000 subscribers at 31 March 1996, a growth of over 280% in the year.

  The network rollout (now covering approximately 80% of the population) has been accelerated to enable continued expansion in this competitive market and in preparation for the gradual closedown of the competing analogue network. On 1 April 1996, AAP Information Services Pty Limited exercised an option to acquire 5% of Vodafone Pty Limited in fulfilment of an agreement entered into when the licence was granted in 1992.

  Vodac Pty Limited, a wholly-owned Group service provider subsidiary, sells Vodafone Pty services throughout Australia. It competes with independent service providers and with retailers on the other networks. Vodac Pty accounts for more than 30% of Vodafone Pty's business, has offices in each of the major capital cities and a multi-channel distribution network, incorporating its own salesforce, dealers and retail outlets.

- In January 1996, the Group increased its shareholding in E-Plus Mobilfunk GmbH, the German cellular network operator, to 17.2%. E-Plus continued to roll out its DCS 1800 (1.8 GHz) network at a rapid pace throughout the year, and is now able to offer a service which is commercially competitive with the two existing German GSM networks. Subscriber connections accelerated towards the end of the year as a consequence and the number of subscribers exceeded 250,000 at 31 March 1996.

▲ *The number of subscribers to market leader Vodacom Pty's subscriber base has grown by almost 50% during the year.*

- Vodacom Pty Limited, one of the two South African GSM network operators, recorded another year of very strong subscriber growth and comfortably retained its market leadership position. Subscribers at 31 March 1996 totalled 335,000. This represents an increase of some 47% over the previous year.

  Vodac Pty Limited acts as a service provider on the Vodacom network, retailing airtime and services, and had over 96,000 subscribers at 31 March 1996.

  In September 1995, the Group reduced its interest in both Vodacom and Vodac to 31.5%, in accordance with an agreement entered into prior to licence award, by disposing of 10% of its holdings, at a profit. The Group also acquired an indirect effective interest of 8% in Teljoy, a South African service provider.

▲ *The subscriber base of Vodafone Pty's Australian digital network has more than trebled in the financial year.*

Increased coverage and subscriber growth encouraged the Group to increase its stake in E-Plus Mobilfunk GmbH's network in Germany. ▶


e-plus
ABC
Willkommen
bei E-Plus
Menu
Memory
ABC

International Operations (continued)

▲ *Vodafone Fiji's digital network now has in excess of 2,500 subscribers.*

- The principal business of Pacific Link Communications Limited, a company in which the Group has a 35% shareholding, is the operation of a digital (D-AMPS) cellular network in Hong Kong. Pacific Link also operates analogue cellular, CT2 and radiopaging networks in Hong Kong. The digital network suscriber base grew substantially in 1995/96, including the transfer of analogue subscribers as part of a managed programme of frequency reallocation between the two cellular networks. Cellular subscribers totalled 222,000 at 31 March 1996, representing an exceptional increase of 96% in the year. The company also had 10,000 CT2 and paging subscribers at the year end.
- In Malta, Telecell Limited, the analogue cellular network operator in which the Group has an 80% interest, recorded higher profits and increased its subscriber base to over 11,500 by the end of the financial year.
- Vodafone Fiji Limited, the sole network operator in Fiji, in which the Group has a 49% interest, traded according to expectations, achieving over 2,500 GSM subscribers by the end of March 1996.
- In France, Société Française du Radiotéléphone SA (SFR), the second operator of both digital and analogue cellular networks, achieved a year of record subscriber growth as network coverage achieved a level which is comparable with its competitor. SFR's total subscriber base grew by 106% in the year and amounted to more than 520,000 at 31 March 1996. Market penetration in France remains low, at approximately 2.6%.

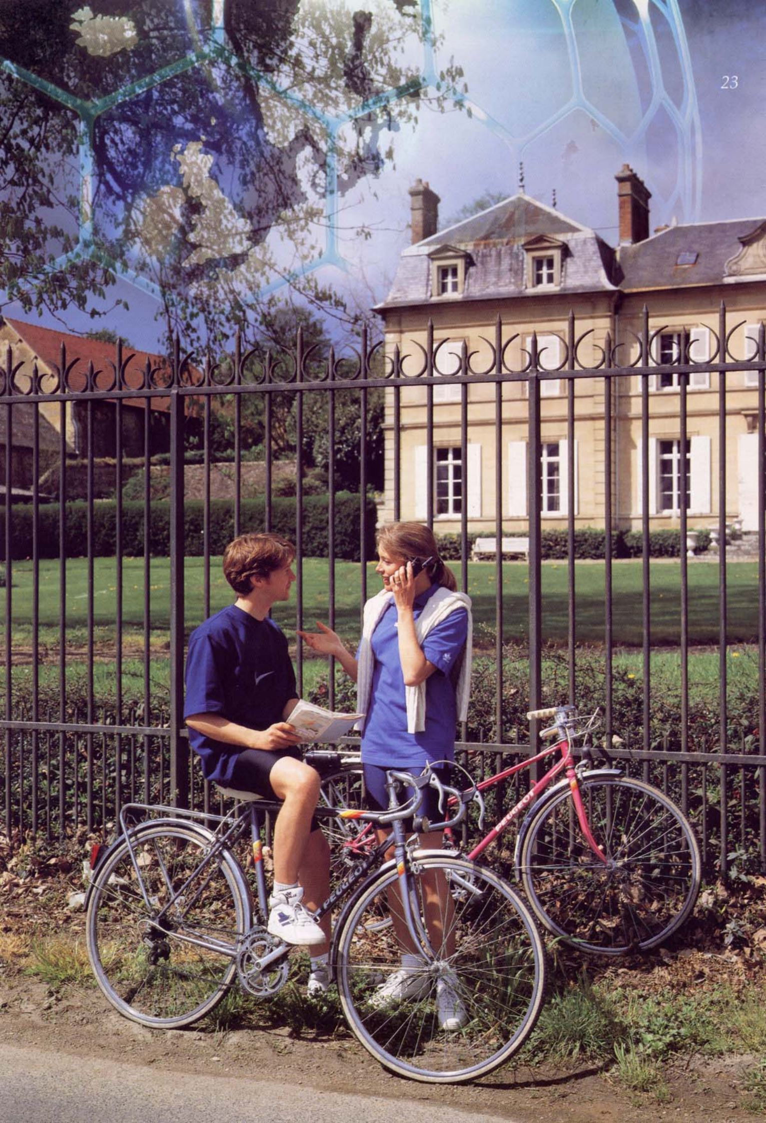
  Since the year end the Group has announced that it has exercised an option to acquire a further 6.5% of the equity of SFR for Ffr 2.3bn, increasing its holding to 16.5%. The Group has an option to increase its shareholding to 20% before the end of December 1997 at the same price per share.

  Vodafone SA is a wholly-owned Group subsidiary which acts as a service provider to both SFR and other networks. At 31 March 1996, its digital subscriber base was over 65,000.
- The Group is a member of the Globalstar partnership which is building and preparing to launch a constellation of low-earth orbit satellites to provide a worldwide digital telecommunications service.

  Globalstar is planning to launch satellites in the second half of 1997 and to have the complete constellation of 48 satellites (plus eight in-orbit spare satellites) deployed by the end of 1998, in order to commence full commercial service early in 1999.

  The Group is planning to establish a number of earth stations connected to its existing terrestrial networks. Dual-mode handsets will provide direct access to these terrestrial networks and will automatically switch to the satellite based service when outside terrestrial coverage. Subscribers to the dual service will be able to make and receive calls worldwide.

Vodafone has increased its stake in SFR, in France, which achieved record subscriber growth in the year. ▶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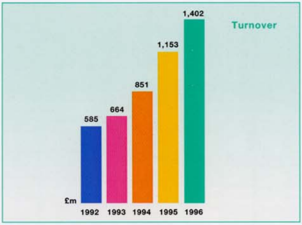
Review of Results

Turnover



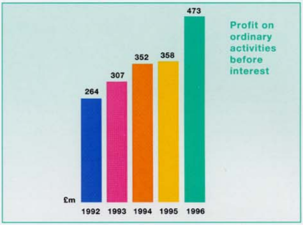
Group turnover for the financial year increased by 22% to £1,402.2m. Much of this increase arose in the UK as the Group benefited from a full year of revenue from the record connections in 1994/95 as well as new subscribers joining both the digital and analogue networks in the current year. Turnover overseas increased by 121%, principally in Australia, as this network connected over 129,000 subscribers in the year. Acquisitions and disposals had no material impact on turnover.

Proportionate turnover, which reflects the Group's ownership interests in its worldwide operations, increased by 33% in the year. International businesses increased proportionate turnover by 117% to £412m as proportionate subscribers more than doubled to over 585,000 at 31 March 1996.

Proportionate turnover

	1996 £m	1995 £m	Increase %
UK	1,369	1,152	19
Australia	86	24	258
France	106	55	93
Germany	16	5	220
Greece	57	34	68
Hong Kong	38	25	52
Malta and Sweden	20	13	54
Netherlands	2	–	–
South Africa	84	34	147
Uganda and Fiji	3	–	–
TOTAL	1,781	1,342	33
TOTAL International	412	190	117

Profit on ordinary activities before interest



Operating profit increased by 32% to £465.8m and rose at a faster rate than turnover due to the factors set out below:

- Connection costs of new subscribers in network subsidiaries which amounted to £223.0m (1995 – £187.0m), grew at a slower rate than the increase in these subsidiaries' turnover. Connection costs are charged to the profit and loss account in accordance with the Group's policy even though subscribers generate revenue in future periods.
- The Group's share of profits of associated undertakings increased by £24.0m to £16.8m (1995 – losses £7.2m). Operations in Hong Kong, Malta and Greece all increased their profits and South Africa became profitable after incurring losses last year. Start up operations in the Netherlands, Fiji and Uganda continued their progress towards profitability.
- Cost of fraud and bad debt in the UK was reduced as contract fraud was virtually eliminated.

In September 1995, the Group reduced its interest in its South African investment to 31.5% in accordance with an agreement entered into before the licence was awarded, by disposing of 10% of its holding, at a profit.

Interest
Interest receivable of £18.7m was £2.4m higher than last year, mainly due to interest earned on increased loans to associated companies and other investments. Interest payable increased by £13.7m to £16.6m as the Group had borrowings in place throughout the year to finance international expansion.

Taxation
The effective tax rate decreased by 1.3% to 34.6% as profitable overseas businesses utilised tax losses generated during their start up phase. This rate is expected to continue to decline as more overseas businesses move into profit and losses are absorbed.

Exchange rates
The principal exchange rates used in this year's financial statements are set out below:

Exchange rates

Currency	Average rate 1996	Year end 31 March 1996
Australian dollar	2.07	1.95
Dutch guilder	2.50	2.52
French franc	7.73	7.69
Greek drachma	367.28	367.54
Hong Kong dollar	12.12	11.80
Maltese lira	0.56	0.55
South African rand	5.77	6.07

The Group's accounting policy on foreign currencies is set out on page 42.

Future results
Factors which will influence the Group's future performance include the growth of mobile telecommunications markets, the Group's market share, revenue per subscriber, the costs of providing and selling existing services and start up costs of new businesses.

In many of the overseas markets where the Group operates, cellular penetration is low, which should enable the overseas businesses to grow and make a substantial contribution to Group profits.

The results for 1996/97 are expected to show continuing growth as mobile telecommunications markets expand and the benefit of enhanced subscriber bases built during 1995/96 are realised in additional revenues. Start up costs incurred by new overseas businesses are declining as they move towards profitability.

With the Group's prominence in the UK and expansion overseas, it is well positioned to deliver sustained growth and increased shareholder value.

Potential for growth

	Population (million)	Market Penetration %
UK	58.7	9.7
Australia	17.6	19.7
Fiji	0.8	0.3
France	58.0	2.6
Germany	81.2	5.2
Greece	10.4	4.0
Hong Kong	6.0	12.0
Malta	0.4	3.4
Netherlands	15.4	4.1
South Africa	42.0	1.3
Sweden	8.9	25.0
Uganda	18.5	0.2

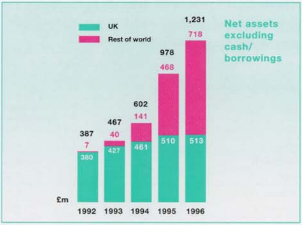
Balance Sheet Review

The Group's balance sheet remains strong and liquidity good.

Fixed assets
Fixed assets increased by £320.6m. Those intangible fixed assets, which are capitalised in accordance with the Group's accounting policy, increased by £26.4m as further frequencies were acquired in Australia. Tangible fixed assets increased by £211.3m, primarily as a result of capital expenditure on digital networks in the UK and Australia. Investments increased by £82.9m as further equity was invested in, and loans were advanced to, associates and other investments.

Working capital

Working capital (excluding cash, overdrafts and bank loans) decreased by 54% as a result of an increase in creditors falling due within one year of £96.6m, offset by a £37.4m increase in debtors due within one year. These increases are attributable to the growth of the business.



Net borrowings

The Group ended the year with net borrowings of £207.5m after investing £461.8m in capital expenditure and investments. Gearing at 31 March 1996 was 2.8%, calculated as a percentage of the Group's market capitalisation.

Equity shareholders' funds

Equity shareholders' funds were £1,022.1m, an increase of £204.8m arising from:

	£m
Retained profits	187.2
Goodwill written off	(14.6)
Currency translation	19.7
New share capital and scrip dividends	12.7
Other	(0.2)
	204.8

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

Proportionate share of network subscribers

	31 March 1996 ('000)	31 March 1995 ('000)	Growth %
UK	2,450	1,818	35
Australia	166	43	286
France	53	25	112
Germany	43	8	438
Greece	79	43	84
Hong Kong	70	37	89
Malta	9	6	50
Netherlands	19	–	–
South Africa	108	82	32
Sweden	36	10	260
Uganda and Fiji	2	1	100
TOTAL	3,035	2,073	46

Cash flows

Inflows

Net cash flow generated from operating activities was £615.2m, a 59% increase over last year, principally due to increased profits and decreased working capital.

Outflows

The main cash outflows are set out below:

- Capital expenditure of £355.4m, of which £195.1m was overseas. UK expenditure was primarily on Vodafone Limited's new digital network, whilst overseas expenditure was largely on the development of the Australian digital network.
- Investments in associates and trade investments of £106.4m. The major investments were in the Netherlands, South Africa and Sweden.
- UK tax paid of £127.1m.
- Dividends paid amounting to £106.6m.

Future investments

The Group expects to spend over £700m on capital expenditure and investments in 1996/97. Major items are:

- UK; principally capital expenditure on the digital network.
- Australia; capital expenditure on the digital network.
- France; where the Group has exercised an option to acquire a further 6.5% of the equity of Société Française du Radiotéléphone SA.
- Other overseas investments; mainly in Germany, Greece and South Africa.

Treasury

The Group has a central Treasury Department which operates within policies approved and controlled by the directors.

Funding and liquidity

The Group has a strong financial position demonstrated by credit ratings of A-1/P-1 short term and A+/A2 long term from Standard and Poor's and Moody's respectively.

Substantial committed bank facilities have been obtained and, since the year end, the Group has issued a £250m sterling Eurobond redeemable in November 2001.

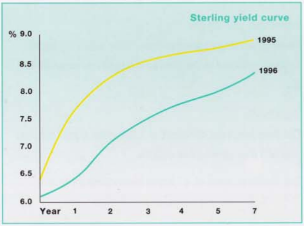
The Group also has an uncommitted £500m Euro Commercial Paper programme which was activated in May 1996. Other uncommitted facilities are also available from banks. Any surplus funds are invested with counterparties who have high credit ratings.

The directors have set ratios for net interest cover, market capitalisation to net debt and gross cash flow to net debt, which set internal limits for the maximum levels of debt. These ratios are consistent with those used by companies with very high credit ratings.

Foreign exchange and interest management

Foreign currency exposures on known future transactions are hedged, including those resulting from repatriation of overseas dividends and loans. The effects of foreign currency movements on the translation of the results and net assets of overseas operations are not hedged.

Interest rates are fixed when net interest is forecast to have a significant impact on profits.



A variety of hedging instruments may be used, including spot and forward foreign exchange contracts, options, swaps, futures and forward rate agreements.

Capital Structure

Borrowings

At the end of the year the Group's borrowings were all in sterling and committed bank facilities of £680m were available with an average period to expiry of four years.

Borrowings are sterling denominated as:

- Established UK businesses generate strong sterling cash flow which will be used to repay debt.
- Foreign currency investments are expected to be held for a longer period than monies borrowed to fund those investments.
- The Group does not hedge its overseas net assets with respect to foreign currency translation differences since net assets represent a small proportion of the market value of the Group.

Interest

At the end of the year 91% of the Group's borrowings were fixed for a period of one year.

Shareholders' Returns

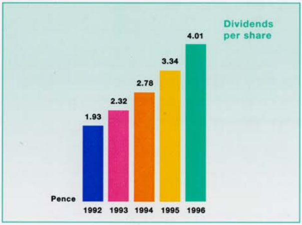
Earnings per share

Earnings per share increased from 7.80p to 10.15p for the reasons explained in the Review of Results on pages 24 and 25.

Dividends

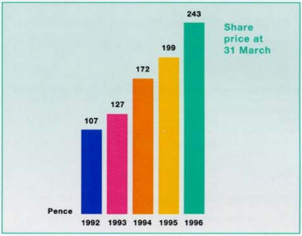
The proposed final dividend of 2.04p gives a total for the year of 4.01p, an increase of 20%.

The dividend cover of 2.5 times is considered prudent.



Share price

The share price has shown healthy growth since the Company floated in 1988 at an issue price of 170p which is now equivalent to 56.7p following the capitalisation issue in July 1994.



Basis of Preparation of Financial Statements

This Financial Review complies with the 'Operating and Financial Review' statement issued by the Accounting Standards Board.

The Group welcomes the Accounting Standards Board's Financial Reporting Exposure Draft 10 'Revision of FRS1 'Cash Flow Statements'', particularly in its approach to the definition of cash and liquid resources and the additional net debt disclosures.

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

Going concern

After reviewing the Group's budget for 1996/97 and other longer term plans, the directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

THE COMPOSITION OF THE COMMITTEE

The Remuneration Committee comprises Sir Ernest Harrison (Chairman), Sir William Barlow and Sir Robert Clark, all of whom are non-executive directors of the Company. Sir Gerald Whent, the Company's Chief Executive, resigned from the Committee during the year.

REMUNERATION POLICY

In determining the Company's broad policy for executive remuneration, and in particular the remuneration package for each of the executive directors, the Committee aims to provide remuneration which is competitive and which will ensure the right rewards are given to attract, motivate and retain executives of a calibre appropriate to the needs of the Group. The views of the Chief Executive and the Group Director of Personnel, as well as the results of market surveys and analyses from external sources, are provided to the members of the Committee.

SALARIES AND BENEFITS

The remuneration package of the executive directors is made up of a number of elements. Each is paid an annual salary, on which pension benefits are calculated, and is provided with a car, health care benefits and a mobile telephone, all of which are subject to income tax. There are no bonuses or other incentive payments although the executive directors participate in the Company's Executive Share Option Scheme and are entitled to participate in its all-employee share schemes, which are a savings related share option scheme and a profit sharing share scheme, further details of which are provided below and in the Report of the Directors on page 35.

All executive directors, other than Sir Gerald Whent, are contributing members of the Vodafone Group Directors Pension Scheme, which provides pensions and other benefits within limits prescribed by the Inland Revenue. Sir Gerald Whent participates in a Funded Unapproved Pension Scheme and is provided with a pension contribution equivalent to payments to the Vodafone Group Directors Pension Scheme in respect of other directors. Details of the salaries and benefits of all the directors are set out in the table on page 30, together with details of the Company's contributions to pension schemes. Share options are analysed in the table on page 31.

Annual salaries are reviewed each year with effect from 1 July and the Remuneration Committee takes into account not only the individual performances and contributions of each of the executive directors but also the overall performance of the Group, the earnings per share of the Company, the level of increases awarded to staff throughout the Group and information provided to it on the salaries for similar roles in companies comparable to the Company.

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

SERVICE CONTRACTS

The Remuneration Committee believes that the terms of the service contracts which have been in place for each of the Company's executive directors since 1991 and 1992 are appropriate although it recognises general pressures to reduce notice periods to one year and accordingly resolved during the year that new appointments to the Board would be on the terms of a contract terminable on one year's notice after the expiry of the initial term. Accordingly, D Channing Williams and J M Horn-Smith, who were appointed to the Board on 4 June 1996, have service contracts with an initial term of two years, then terminable on one year's notice. Sir Gerald Whent's service contract is terminable either by Sir Gerald or the Company on one year's notice and each of the Company's other executive directors has a contract terminable on two years' notice from the Company and one year's notice from the director.

NON-EXECUTIVE DIRECTORS

The non-executive directors, with the exception of Sir Ernest Harrison, are engaged on letters of appointment which set out their duties and responsibilities and confirm their remuneration. Each of these appointments may be terminated at any time by the Company without the payment of compensation. Sir Ernest Harrison's appointment is subject to the terms of an agreement between the Company, Racal Electronics Plc and Sir Ernest and is terminable by any party by one year's notice given at any time.

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

REMUNERATION

	Salary/fees		Benefits		Total		Pension contributions	
	1996 £000	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000	**1996 £000**	1995 £000
Chairman (Non-executive)								
Sir Ernest Harrison	**188**	176	**20**	7	**208**	183	**–**	–
Chief Executive								
Sir Gerald Whent	**562**	527	**38**	34	**600**	561	**210**	194
Executive directors								
C C Gent	**322**	298	**28**	24	**350**	322	**106**	98
D J Henning	**196**	186	**24**	36	**220**	222	**66**	62
K J Hydon	**201**	186	**23**	19	**224**	205	**66**	62
E J Peett	**268**	248	**27**	19	**295**	267	**89**	82
Non-executive directors								
Sir William Barlow	**42**	40	**–**	–	**42**	40	**–**	–
Sir Robert Clark	**42**	40	**–**	–	**42**	40	**–**	–
G J Lomer	**42**	40	**–**	–	**42**	40	**–**	–
	1,863	1,741	**160**	139	**2,023**	1,880	**537**	498

COMPLIANCE

In July 1995, the Report of a Study Group chaired by Sir Richard Greenbury on Directors' Remuneration ('Greenbury') was published and some of its recommendations have been included in the Listing Rules of the London Stock Exchange. The composition, terms of reference and operation of the Remuneration Committee are in compliance with Greenbury's Code of Best Practice and the Committee will give full consideration to Section B of the best practice provisions which are now annexed to the Listing Rules when it reviews the executive directors' remuneration packages for 1996/97. One of the recommendations made by Greenbury relates to the form of disclosure of the directors' pension contributions but the conclusion of actuarial bodies to whom the task of finalising the form of disclosure was delegated remains to be adopted formally. Accordingly, the details provided in this Report comply with the requirements of the Code of Best Practice issued by the Cadbury Committee in 1992. The Report of the Auditors set out on page 37 of this document provides independent confirmation that this Report of the Remuneration Committee provides the disclosures required by the Listing Rules.

SHARE OPTIONS

The following information summarises the directors' options under the Vodafone Group Savings Related Share Scheme ('Savings Related Scheme') and the Vodafone Group Executive Share Option Scheme ('Executive Scheme'), both Inland Revenue approved schemes, in operation at 31 March 1996. 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. The Remuneration Committee, whilst acknowledging that options have been granted in the past under the terms of the Executive Scheme at prices showing a discount to the market price, has resolved that no shares will, in future grants of options, be offered at a discount.

	Options held at 1 April 1995	Options granted during the year to 31 March 1996	Options exercised during the year to 31 March 1996	Options held at 31 March 1996	Weighted average exercise price at 31 March 1996 (p)	Date from which exercisable	Latest expiry date
Sir Gerald Whent	2,048,583	65,500	–	2,114,083	115	7/92	7/05
C C Gent	648,777	152,454	183,600	617,631	175	7/96	7/05
D J Henning	574,986	68,200	217,800	425,386	154	4/96	7/05
K J Hydon	602,964	26,554	–	629,518	127	1/94	7/05
E J Peett	584,664	125,500	199,200	510,964	167	4/96	7/05
	4,459,974	438,208	600,600	4,297,582			

These options by exercise price were:

Option price (p)	Options held at 1 April 1995	Options granted during the year	Options exercised during the year	Options held at 31 March 1996
74.7	35,154	–	–	35,154
86.7	246,600	–	81,300	165,300
93.0	549,000	–	–	549,000
94.7	43,563	–	–	43,563
101.7	868,800	–	421,500	447,300
107.0	591,900	–	96,000	495,900
112.3	165,000	–	–	165,000
124.7	48,300	–	–	48,300
125.7	77,400	–	1,800	75,600
136.3	330,000	–	–	330,000
138.7	203,100	–	–	203,100
141.7	6,600	–	–	6,600
142.0	4,857	–	–	4,857
146.3	347,400	–	–	347,400
166.3	608,100	–	–	608,100
176.3	334,200	–	–	334,200
186.0	–	3,708	–	3,708
198.5	–	290,700	–	290,700
233.5	–	143,800	–	143,800
	4,459,974	438,208	600,600	4,297,582

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

Under the Executive Scheme in the year to 31 March 1996, C C Gent exercised an option for 155,400 shares at the exercise price of 101.7p per share, which shares were sold at 275p per share, and on the same date an option for 28,200 shares at the exercise price of 86.7p. D J Henning exercised an option for 96,000 shares at the exercise price of 107p per share and an option for 1,800 shares at 125.7p, all of which were sold at 196p per share, and an option for 90,000 shares at the exercise price of 101.7p per share and an option for 30,000 shares at 86.7p, all of which were sold at 250p per share. Also, E J Peett exercised an option for 176,100 shares at the exercise price of 101.7p per share and an option for 23,100 shares at 86.7p, all of which were sold at 237p per share. All share sales occurred on the dates the options were exercised. The closing middle market price of Vodafone Group Plc's shares at the year end was 242.5p, its highest closing price in the year having been 279.5p and its lowest closing price having been 183p.

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:

	31 March 1996	1 April 1995
Sir Ernest Harrison	1,090,000	1,200,000
Sir Gerald Whent	517,036	510,212
Sir William Barlow	15,000	15,000
Sir Robert Clark	15,000	15,000
C C Gent	102,459	68,101

	31 March 1996	1 April 1995
D J Henning	44,048	32,915
K J Hydon	47,458	40,466
G J Lomer	110,809	110,641
E J Peett	294,785	187,961

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 12 June 1996, except that D J Henning, K J Hydon and E J Peett each exercised options pursuant to the rules of the Savings Related Scheme to acquire 15,066, 10,044 and 10,044 shares respectively at 74.667p per share and E J Peett subsequently sold his 10,044 shares at 248p per share. In addition, K J Hydon and G J Lomer acquired 24 and 22 shares respectively through reinvestment of tax reclaims 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
Sir Gerald Whent	1,602
CC Gent	1,444
D J Henning	1,204

	Interests in Ordinary Shares
K J Hydon	1,602
E J Peett	1,602

No director had, since 1 April 1995, any interest in the shares of any subsidiary company.

Sir Ernest Harrison OBE
Chairman – Remuneration Committee

27 June 1996

The directors submit their annual report and audited financial statements for the year ended 31 March 1996.

REVIEW OF THE GROUP'S BUSINESS

The Company and its subsidiary and associated undertakings are involved principally in mobile telecommunications services. A review of the development of the business of the Company and its subsidiary and associated undertakings is contained in the Chairman's statement on pages 3 and 4 and the Operating and Financial Reviews on pages 5 to 28.

FUTURE DEVELOPMENTS

The Group is currently involved in the expansion and development of the cellular telecommunications and related businesses as detailed in the Chairman's statement on pages 3 and 4 and the Operating and Financial Reviews on pages 5 to 28.

CORPORATE GOVERNANCE

Compliance

The directors are committed to business integrity and professionalism. As an essential part of this commitment the Board supports high standards of Corporate Governance and confirms that the Group has complied throughout the period with the Code of Best Practice published by the Cadbury Committee on the Financial Aspects of Corporate Governance in December 1992. The Review Report by the Auditors on Corporate Governance appears on page 37.

Board committees

The Board of the Company comprises seven executive and four non-executive directors who are responsible for setting strategy, approving budgets and monitoring executive management. There are three principal committees of the Board and the membership of the committees is set out on page 35.

Responsibility for financial controls

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

Control environment

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

Assessment of business risk

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

Financial reporting system

The Group's operating procedures include a comprehensive system for reporting financial information to the directors. The principal elements of this include the formal review by the directors of:

- Detailed budgets prepared by subsidiary management and reviewed by the executive directors before formal adoption.
- Monthly management accounts with a comparison against budget.
- Forecasts revised on a quarterly basis, compared against budget.

Main control procedures

Written financial policies and procedures have been issued which specify the minimum requirements for financial and administrative matters within the Group. These policies and procedures address the areas of significant business risk and include:

- Financial limits on delegated authority.
- Detailed policies and procedures regulating treasury activities, approved annually.

Associated undertakings are monitored closely through attendance at their board meetings and review of key financial information. It is the Group's policy that its auditors be appointed as auditors of associated undertakings. Detailed post investment appraisals of all the Group's investments are conducted on a regular basis.

Monitoring process

There are clear procedures for monitoring the system of internal financial control. The significant components of this are:

- Formal annual confirmation by subsidiary managing directors concerning the operation of financial control systems for which they are responsible.
- An internal audit department, reporting directly to the Audit Committee, which on a risk assessment basis undertakes periodic examination of business processes and reports on financial controls throughout the Group.
- Reports from the external auditors, Deloitte & Touche, on internal controls and relevant financial reporting matters.

Review of effectiveness

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

The directors confirm that they have reviewed the effectiveness of the system of internal financial control through the monitoring process set out above and are not aware of any significant weakness or deficiency in the Group's system of internal financial control during the period covered by this Report.

THE ENVIRONMENT

The Group is committed to adopting a responsible approach to environmental matters and has formally established a worldwide environmental policy. In particular the Group seeks to minimise the visual impact of its installations and conserve the environment.

Minimal visual impact

Subject to technical and commercial constraints all reasonable efforts are made to ensure the minimal impact of radio masts and mobile telephone exchange sites on the environment. Where possible, facilities are installed on existing buildings and structures, with antennas and equipment rooms designed to fit in with their surroundings in terms of height , mast design, colour and texture. The Group has conducted extensive research and development over recent years into the design and appearance of antennas and their support structures, enabling many sites to have their visual impact considerably reduced.

In the UK during 1995, Vodafone Limited was a member of a joint working party chaired by the Department of the Environment. The outcome was the publication, in April 1996, of a Code of Best Practice relating to the development of radio towers. This aims to generate better understanding and communication between the various Telecommunication Code System Operators and Local Planning Authorities.

Conservation of the environment

Where possible the Group endeavours to use environmentally friendly products, with all vehicles running on lead free petrol or diesel fuel.

To minimise the use of natural resources the Group has undertaken to progressively reduce its consumption of finite or scarce resources and to recycle waste.

SHARE CAPITAL

A statement of changes in the share capital of the Company is set out on page 49 in note 16 of the financial statements.

RESULTS AND DIVIDENDS

The consolidated profit and loss account is set out on page 38 of the financial statements.

The directors recommend a final dividend of 2.04p per ordinary share amounting to £62.4m payable on 19 August 1996 to shareholders on the register of members at close of business on 18 June 1996.

An interim dividend of 1.97p per ordinary share was paid during the year giving a total for the year of 4.01p per ordinary share.

POST BALANCE SHEET EVENTS

Post balance sheet events are disclosed in note 28 on page 53 of the financial statements.

CHARITABLE AND POLITICAL CONTRIBUTIONS

Through the Vodafone Group Charitable Trust, under the chairmanship of Sir William Barlow, the Group made charitable donations amounting to £261,000 during the year. The Charitable Trust aims to make contributions primarily within the sectors of medical research, the disabled, the socially deprived, education, arts and the environment. Recipients of significant donations during the year include The NSPCC, Arthritis Care, The Nuffield Orthopaedic Centre, The National Meningitis Trust and The Wessex Children's Hospice. A donation of £75,000 was made to the Conservative Party.

CREDITOR PAYMENT TERMS

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

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 Company presently has eleven directors, nine of whom served throughout the year ended 31 March 1996 and whose biographical details are set out briefly on page 2. Four of the directors, Sir Ernest Harrison (the non-executive Chairman), Sir William Barlow, Sir Robert Clark and G J Lomer, served as non-executive directors. The seven executive directors are Sir Gerald Whent (the Chief Executive), D Channing Williams, C C Gent, D J Henning, J M Horn-Smith, K J Hydon and E J Peett. D Channing Williams and J M Horn-Smith were appointed to their positions in June 1996.

Other than their service contracts, none of the directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the financial year.

COMMITTEES OF THE BOARD

The committees are:

- Audit Committee comprising Sir Ernest Harrison (Chairman), Sir William Barlow and Sir Robert Clark.
- Remuneration Committee made up of Sir Ernest Harrison (Chairman), Sir William Barlow and Sir Robert Clark.
- Nominations Committee comprising Sir Ernest Harrison (Chairman), Sir William Barlow, Sir Robert Clark and Sir Gerald Whent.

DIRECTORS' INTERESTS IN THE SHARES OF VODAFONE GROUP PLC

The Report of the Remuneration Committee on pages 29 to 32 of the annual report details the directors' interests in the shares of Vodafone Group Plc.

EMPLOYEE INVOLVEMENT

Employee involvement is actively encouraged throughout the Group. In practice, it is the direct responsibility of the managing director of each of the subsidiary companies supported by the Board.

Employee involvement is achieved through:

- Directors' presentations – made to staff within subsidiary companies throughout the country.
- Team briefing – a systematic method of employee communications covering all levels of employee to which employees are encouraged to put forward their ideas.
- Internal written communications – comprising company newsletters, staff notices and bulletins and the internal distribution of official Press Releases.
- Social functions – the Company actively encourages and financially supports a wide range of sports and social functions for its employees.

UK ALL EMPLOYEE SHARE SCHEMES

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

- **Vodafone Group Profit Sharing Scheme** – This enables staff to contribute up to 5% of their basic salary each month to buy shares in the Company. Subject to agreeing that the purchased shares are held for at least two years by the Trustees or in a PEP, for each share the employee buys the Company buys a matching share for the employee. As a result of changes introduced in the last Budget, the shares paid for by the Company are not subject to income tax on their value, provided the employee leaves them with the Trustees for three years.
- **Savings Related Share Option Scheme** – This enables staff to purchase shares in the Company over a five year period from monthly savings of up to £250, at the end of which they also receive a tax free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set at the beginning of the savings contract and usually at a discount to the then prevailing market price of the Company's shares. Invitations to participate in this scheme are normally made annually. Following recent Budget changes, future invitations are planned to have both three and five year savings contracts.

EMPLOYEE TRAINING AND DEVELOPMENT

The Group has adopted policies of continuing training and development to assist employees in fulfilling their potential in accordance with their ambitions and abilities. These policies are supported by a wide variety of schemes and programmes both in-house and externally. The Group sponsors employees on courses ranging from evening classes in shorthand to distance learning MBA studies. Several accredited professional development programmes are operated by the Group and many specialist courses are developed and run by the Group's own Training Services Department, which has well-equipped technical and developmental training facilities. All vacancies are filled on the basis of competence, experience and qualifications and a performance review process has been established to measure achievement of objectives as well as identifying future potential career opportunities and development needs. As a Charter Member of the Duke of Edinburgh's Award Scheme, the Group has established a sponsored scheme for all employees of Award Scheme age.

EQUAL OPPORTUNITIES

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

THE DISABLED

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

HEALTH, SAFETY, WELFARE

The directors strongly believe that safe and effective health and safety practice is essential as an integral part of the way the Group undertakes its business. The maintenance of safe working conditions is a high priority and a programme of regular risk assessment ensures that there are continuous improvements in safety performance. Group policies and practices are regularly reviewed with the objective that high standards of health and safety are achieved and maintained.

CLOSE COMPANY PROVISIONS

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

AUDITORS

On 1 February 1996 the Company's auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. In accordance with section 384 of the Companies Act 1985, a resolution proposing the reappointment of Deloitte & Touche as auditors to the Company will be put to the Annual General Meeting.

It is the Group's policy to employ Deloitte & Touche on assignments additional to their statutory audit duties where their expertise and experience with the Group are important or where they win work on a competitive basis. The Group has employed three other audit firms during the year.

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 12 June 1996, exceeds 3%.

BNY (Nominees) Limited held 30.1%, a holding which underlies American Depositary Receipts (ADRs) issued by The Bank of New York.

By Order of the Board
Stephen Scott
Secretary
27 June 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit of the Group for that period.

In preparing those financial statements, the directors are required to:

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

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

AUDITORS' REPORT TO THE MEMBERS OF VODAFONE GROUP PLC

We have audited the financial statements on pages 38 to 58 which have been prepared under the accounting policies set out on pages 42 and 43, and the detailed information disclosed in respect of any directors' remuneration, share options and long term incentive schemes set out in the Report of the Remuneration Committee on pages 29 to 32.

Respective responsibilities of directors and auditors

As described on page 36 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, on 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 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
27 June 1996

Hill House
1 Little New Street
London EC4A 3TR

REVIEW REPORT BY THE AUDITORS ON CORPORATE GOVERNANCE TO VODAFONE GROUP PLC

In addition to our audit of the financial statements, we have reviewed the directors' statements on page 28 and pages 33 to 34 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control on pages 33 to 34 and going concern on page 28, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 33 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Deloitte & Touche
Chartered Accountants and Registered Auditors
27 June 1996

Hill House
1 Little New Street
London EC4A 3TR

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1996

	Note	1996 £m	1995 £m
Turnover	1	1,402.2	1,152.6
Operating profit	2	465.8	353.4
Disposal of fixed asset investments	3	7.2	4.3
Profit on ordinary activities before interest	1	473.0	357.7
Interest receivable less payable	4	2.1	13.4
Profit on ordinary activities before taxation		475.1	371.1
Tax on profit on ordinary activities	5	164.6	133.4
Profit on ordinary activities after taxation		310.5	237.7
Equity minority interests		0.7	0.3
Profit for the financial year		309.8	237.4
Equity dividends	6	122.6	101.7
Retained profit for the financial year	17	187.2	135.7
Earnings per share	7	10.15p	7.80p

The Group's result is derived from continuing operations.

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 1996

	Note	1996 £m	1995 £m
FIXED ASSETS			
Intangible assets	8	89.3	62.9
Tangible assets	9	857.1	645.8
Investments	10	475.7	392.8
		1,422.1	1,101.5
CURRENT ASSETS			
Stocks	11	8.2	12.2
Debtors	12	320.5	279.9
Cash at bank and in hand		12.6	15.9
		341.3	308.0
CREDITORS: amounts falling due within one year	13	583.3	442.5
NET CURRENT LIABILITIES		(242.0)	(134.5)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,180.1	967.0
CREDITORS: amounts falling due after more than one year	14	148.3	145.8
PROVISIONS FOR LIABILITIES AND CHARGES	15	8.3	3.2
		1,023.5	818.0
CAPITAL AND RESERVES			
Called up share capital	16	152.8	152.4
Share premium account	17	45.3	38.5
Capital reserve	17	4.1	4.2
Profit and loss account	17	819.9	622.2
Total equity shareholders' funds		1,022.1	817.3
Equity minority interests		1.4	0.7
		1,023.5	818.0

The financial statements on pages 38 to 58 were approved by the Board of directors on 27 June 1996 and were signed on its behalf by:

Sir Gerald Whent CBE Chief Executive

K J Hydon Financial Director

CONSOLIDATED CASH FLOW

FOR THE YEAR ENDED 31 MARCH 1996

	Note	1996 £m	1995 £m
NET CASH INFLOW FROM OPERATING ACTIVITIES	22	**615.2**	386.0
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**18.5**	15.7
Interest paid		**(9.9)**	(3.7)
Dividends received from associated undertakings		**6.1**	3.1
Dividends paid		**(106.6)**	(87.7)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(91.9)**	(72.6)
TAXATION			
Corporation tax paid		**(127.1)**	(105.0)
INVESTING ACTIVITIES			
Purchase of subscriber bases		**–**	(0.8)
Purchase of intangible fixed assets		**(59.6)**	–
Purchase of tangible fixed assets		**(295.8)**	(187.2)
Proceeds from sale of fixed assets		**8.9**	14.6
Purchase of subsidiary undertaking		**–**	(1.1)
Purchase of investments		**(96.5)**	(171.5)
Long term loans to investments		**(9.9)**	(136.3)
Sale of liquid investments		**–**	16.8
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(452.9)**	(465.5)
NET CASH OUTFLOW BEFORE FINANCING		**(56.7)**	(257.1)
FINANCING			
Issue of ordinary share capital	23	**7.3**	3.2
Long term loans	23	**–**	138.1
NET CASH INFLOW FROM FINANCING		**7.3**	141.3
DECREASE IN CASH AND CASH EQUIVALENTS	24	**(49.4)**	(115.8)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 MARCH 1996

	1996	1995
	£m	£m
Profit for the financial year	**309.8**	237.4
Currency translation	**19.7**	9.2
Total recognised gains and losses relating to the year	**329.5**	246.6

MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MARCH 1996

	1996	1995
	£m	£m
Profit for the financial year	**309.8**	237.4
Equity dividends	**(122.6)**	(101.7)
	187.2	135.7
Currency translation	**19.7**	9.2
New share capital subscribed	**7.3**	3.3
Goodwill written off	**(14.6)**	(32.4)
Scrip dividends	**5.4**	5.1
Other	**(0.2)**	(1.3)
Net additions to equity shareholders' funds	**204.8**	119.6
Opening equity shareholders' funds	**817.3**	697.7
Closing equity shareholders' funds	**1,022.1**	817.3

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 and its subsidiaries and include the Group's share of results of associated undertakings for financial statements made up to 31 March 1996.

GOODWILL

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

FOREIGN CURRENCIES

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

The results of the overseas subsidiary and associated undertakings are translated into sterling at average rates of exchange. This represents a change in accounting policy from the previously applied closing rate method. The directors consider that the new policy is more appropriate as the Group's overseas operations are expected to represent an increasing proportion of the Group's results. The effect of the change in accounting policy was to increase profit on ordinary activities before taxation in the current year by £4.0m. The effect on prior years was not material and therefore comparative figures have not been restated. The adjustment to year end rates is taken to reserves. Exchange differences which arise on the retranslation of overseas subsidiary and associated undertakings' balance sheets at the beginning of the year and equity additions and withdrawals during the financial year are dealt with as a movement in reserves.

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

TURNOVER

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

PENSIONS

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

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

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

RESEARCH AND DEVELOPMENT

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

SCRIP DIVIDENDS

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

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.

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

TANGIBLE FIXED ASSETS

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

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

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

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

INVESTMENTS

The consolidated financial statements include investments in associated undertakings using the equity method of accounting. An associated undertaking is a company in which the Group owns a material share of the equity and, in the opinion of the directors, can exercise significant influence in its management. The profit and loss account includes the Group's share of the 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 and loans advanced to those companies.

Other investments, held as fixed assets, comprise equity shareholdings and long term loans. They are stated at cost less provision for any permanent diminution in value. Income is recognised upon receipt of dividends and interest when receivable.

STOCKS

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

DEFERRED TAXATION

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

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

LEASES

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

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

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

1 SEGMENTAL ANALYSIS

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

	1996 Turnover £m	1996 Profit/(loss) on ordinary activities before interest £m	1995 Turnover £m	1995 Profit/(loss) on ordinary activities before interest £m
United Kingdom	**1,242.9**	**492.8**	1,080.6	399.5
Continental Europe	**75.7**	**(1.4)**	47.8	2.2
Rest of the world	**83.6**	**(18.4)**	24.2	(44.0)
	1,402.2	**473.0**	1,152.6	357.7

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

	1996 Net assets £m	1995 Net assets £m
United Kingdom	**513.1**	509.9
Continental Europe	**322.3**	279.1
Rest of the world	**395.6**	189.0
Net borrowings	**(207.5)**	(160.0)
	1,023.5	818.0

Associated undertakings

	1996 Share of profits/(losses) £m	1996 Share of net assets £m	1995 Share of profits/(losses) £m	1995 Share of net assets £m
United Kingdom	**(1.1)**	**34.5**	0.1	30.6
Continental Europe	**(5.2)**	**100.0**	(1.7)	78.3
Rest of the world	**23.1**	**70.3**	(5.6)	38.1
	16.8	**204.8**	(7.2)	147.0

	1996 £m	1995 £m
Fixed asset investments (note 10)	**207.2**	147.0
Included in Other creditors (note 13)	**(2.4)**	–
	204.8	147.0

2 OPERATING PROFIT

	1996 £m	1995 £m
Turnover	**1,402.2**	1,152.6
Cost of sales	**722.4**	588.2
Gross profit	**679.8**	564.4
Selling and distribution costs	**71.1**	71.4
Administrative expenses	**159.7**	132.4
Total operating expenses	**230.8**	203.8
Operating profit before associated undertakings	**449.0**	360.6
Share of profits/(losses) of associated undertakings	**16.8**	(7.2)
	465.8	353.4

Administrative expenses in the year ended 31 March 1995 include an exceptional cost of £16m due to abnormal costs associated with the unprecedented incidence of fraud and bad debt suffered by the industry.

2 OPERATING PROFIT (*continued*)

Operating profit has been arrived at after charging:	1996 £m	1995 £m
Depreciation of tangible fixed assets		
Owned assets	**98.8**	85.7
Leased assets	**16.9**	6.4
Amortisation of intangible fixed assets	**1.2**	0.2
Research and development	**27.1**	20.3
Payments under operating leases		
Plant and machinery	**8.4**	7.0
Other assets	**81.8**	65.6
Auditors' remuneration		
Audit work	**0.6**	0.5
Other fees		
United Kingdom	**0.7**	0.7
Overseas	**0.2**	0.4

3 DISPOSAL OF FIXED ASSET INVESTMENTS

The profit arose principally from the reduction in the Group's interest in its South African investment to 31.5% in accordance with an agreement entered into before the licence was awarded.

4 INTEREST RECEIVABLE LESS PAYABLE

	1996 £m	1995 £m
Interest receivable and similar income	**18.7**	16.3
Interest payable and similar charges		
Bank overdrafts and other loans repayable within five years	**(16.6)**	(2.9)
	2.1	13.4

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £m	1995 £m
United Kingdom		
Corporation tax charge at 33% (1995 – 33%)	**157.2**	130.1
Transfer to deferred taxation	**5.3**	1.0
Associated undertakings	**0.2**	–
	162.7	131.1
Overseas		
Subsidiary undertakings	**1.6**	0.7
Transfer (from)/to deferred taxation	**(0.1)**	0.2
Associated undertakings	**0.4**	1.4
	1.9	2.3
	164.6	133.4

6 EQUITY DIVIDENDS

	1996 £m	1995 £m
Interim dividend paid of 1.97p (1995 – 1.64p) per ordinary share	60.2	49.9
Proposed final dividend of 2.04p (1995 – 1.70p) per ordinary share	62.4	51.8
	122.6	101.7

7 EARNINGS PER SHARE

Earnings per share are based upon the weighted average of 3,052,281,614 (1995 – 3,043,774,906) ordinary shares in issue throughout the year and are calculated on the profit on ordinary activities after taxation and minority interests of £309.8m (1995 – £237.4m).

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

8 INTANGIBLE FIXED ASSETS

	Licence fees £m
Cost	
1 April 1995	63.0
Exchange movements	8.7
Additions	18.9
31 March 1996	90.6
Amortisation	
1 April 1995	0.1
Charge for the year	1.2
31 March 1996	1.3
Net book value	
31 March 1996	89.3
31 March 1995	62.9

9 TANGIBLE FIXED ASSETS

	Freehold premises £m	Short term leasehold premises £m	Plant & machinery £m	Fixtures & fittings £m	Networks infra-structure £m	Total £m
Cost						
1 April 1995	3.4	4.9	102.0	49.0	899.2	1,058.5
Exchange movements	–	0.1	1.3	0.8	14.3	16.5
Additions	0.1	0.6	48.4	16.2	247.4	312.7
Disposals	–	–	(0.7)	(1.9)	(0.7)	(3.3)
31 March 1996	3.5	5.6	151.0	64.1	1,160.2	1,384.4
Accumulated depreciation						
1 April 1995	0.1	1.7	53.6	19.2	338.1	412.7
Exchange movements	–	–	0.2	0.1	1.1	1.4
Charge for the year	–	0.6	20.9	6.4	87.8	115.7
Disposals	–	–	(0.3)	(1.6)	(0.6)	(2.5)
31 March 1996	0.1	2.3	74.4	24.1	426.4	527.3
Net book value						
31 March 1996	3.4	3.3	76.6	40.0	733.8	857.1
31 March 1995	3.3	3.2	48.4	29.8	561.1	645.8

9 TANGIBLE FIXED ASSETS *(continued)*

Networks infrastructure comprises:

	Freehold premises £m	Short term leasehold premises £m	Plant & machinery £m	Total £m
31 March 1996				
Cost	**8.1**	**113.8**	**1,038.3**	**1,160.2**
Accumulated depreciation	**1.3**	**38.5**	**386.6**	**426.4**
Net book value	**6.8**	**75.3**	**651.7**	**733.8**
31 March 1995				
Net book value	5.6	63.3	492.2	561.1

10 FIXED ASSET INVESTMENTS

	Associated undertakings £m	Other investments £m	Total £m
1 April 1995	147.0	245.8	392.8
Exchange movements	(4.0)	(0.4)	(4.4)
Equity additions and loan advances	88.0	24.7	112.7
Disposals	(5.5)	(1.6)	(7.1)
Share of retained results	(7.1)	–	(7.1)
Goodwill	(11.9)	–	(11.9)
Accrued interest	0.7	–	0.7
31 March 1996	**207.2**	**268.5**	**475.7**

The Group's share of its associated undertakings' post acquisition accumulated reserve losses excluding any goodwill arising on consolidation at 31 March 1996 amounted to £54.9m (1995 – £46.5m) and loans to associated undertakings at 31 March 1996 were £215.5m (1995 – £183.0m). Other investments include the Group's investment in NordicTel Holdings AB listed on an overseas stock exchange at a market value of £58.9m at 31 March 1996 (1995 – £33.3m) which is in excess of the cost included in these accounts. The Group's associated undertakings and fixed asset investments are detailed on page 58.

11 STOCKS

	1996 £m	1995 £m
Finished goods	**8.2**	12.2

12 DEBTORS

	1996 £m	1995 £m
Due within one year:		
Trade debtors	**172.9**	147.2
Amounts owed by associated undertakings	**4.2**	0.8
Other debtors	**13.6**	18.3
Prepayments and accrued income	**123.6**	110.6
	314.3	276.9
Due after more than one year:		
Other debtors	**1.3**	0.1
Prepayments	**4.9**	2.9
	6.2	3.0
	320.5	279.9

13 CREDITORS:

Amounts falling due within one year

	1996 £m	1995 £m
Bank loans and overdrafts	80.1	35.9
Trade creditors	74.3	53.7
Amounts owed to associated undertakings	0.3	0.8
Taxation	161.3	130.2
Other taxes and social security costs	19.3	12.4
Other creditors	27.3	38.2
Proposed dividend	62.4	51.8
Accruals and deferred income	158.3	119.5
	583.3	442.5

14 CREDITORS:

Amounts falling due after more than one year

	1996 £m	1995 £m
Bank loans	140.0	140.0
Other creditors	0.4	1.0
Accruals and deferred income	7.9	4.8
	148.3	145.8
The bank loans are repayable as follows:		
Between two and five years	140.0	140.0

The loans amounting to £140.0m would have been repayable in April 1996 in the absence of committed facilities which expire in February 1999 and 2001. The bank loans bear floating rates of interest.

15 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£m
1 April 1995	3.2
Profit and loss account charge	5.2
Transfer to reserves	(0.1)
31 March 1996	8.3

The amounts provided and unprovided for deferred taxation are:

	1996		1995	
	Amount provided £m	Amount unprovided £m	Amount provided £m	Amount unprovided £m
Accelerated capital allowances	1.6	75.1	0.7	69.8
Gains subject to rollover relief	–	15.8	–	15.8
Other timing differences	6.7	(4.6)	2.5	(1.0)
	8.3	86.3	3.2	84.6
United Kingdom subsidiary losses	–	(3.5)	–	(6.4)
Overseas subsidiary losses	–	(27.7)	–	(20.7)
	8.3	55.1	3.2	57.5

The Group's share of losses of associated undertakings available for set-off against their future trading profits is:

	£m
United Kingdom	29.3
Overseas	63.8
	93.1

16 CALLED UP SHARE CAPITAL

	1996 Number	1996 £m	1995 Number	1995 £m
Authorised				
Ordinary shares of 5p each	4,000,000,000	200.0	4,000,000,000	200.0
Allotted, issued and fully paid				
1 April	3,047,268,121	152.4	1,013,759,156	50.7
Allotted and issued during the year	9,243,558	0.4	2,033,508,965	101.7
31 March	3,056,511,679	152.8	3,047,268,121	152.4

Allotted during the year

	Number	Nominal value £m	Proceeds £m
Savings Related Share Option Scheme	310,193	–	0.3
Executive Share Option Scheme	6,564,200	0.3	7.0
	6,874,393	0.3	7.3
Scrip dividends	2,369,165	0.1	–
	9,243,558	0.4	7.3

Options

The Company had outstanding at 31 March 1996 the following options to subscribe for ordinary shares:

	Number	Price £	Period during which exercisable
Savings Related Share Option Scheme	686,712	0.75	1 April 1996 to 30 September 1996
	1,129,059	0.95	1 February 1997 to 31 July 1997
	342,186	1.14	1 February 1998 to 31 July 1998
	983,754	1.42	1 September 1999 to 29 February 2000
	1,149,819	1.86	1 August 2000 to 31 January 2001
	4,291,530		
Executive Share Option Scheme	115,500	0.68	19 January 1992 to 18 January 1999
	396,000	1.36	12 July 1992 to 11 July 1999
	63,000	1.19	19 January 1993 to 18 January 2000
	165,000	1.12	25 July 1993 to 24 July 2000
	705,000	0.93	22 January 1994 to 21 January 2001
	235,800	1.26	3 January 1995 to 2 January 2002
	1,011,900	1.07	3 January 1995 to 2 January 2002
	1,344,300	1.02	14 July 1995 to 13 July 2002
	414,600	0.87	14 July 1995 to 13 July 2002
	1,417,200	1.39	21 December 1995 to 20 December 2002
	306,000	1.18	21 December 1995 to 20 December 2002
	2,346,600	1.46	7 July 1996 to 6 July 2003
	628,500	1.25	7 July 1996 to 6 July 2003
	1,717,200	1.76	1 December 1996 to 30 November 2003
	297,000	1.50	1 December 1996 to 30 November 2003
	3,494,400	1.66	4 July 1997 to 3 July 2004
	482,100	1.42	4 July 1997 to 3 July 2004
	2,769,800	2.33	4 July 1998 to 3 July 2005
	1,574,500	1.98	4 July 1998 to 3 July 2005
	19,484,400		

17 RESERVES

	Share premium account £m	Capital reserve £m	Profit and loss account £m
1 April 1995	38.5	4.2	622.2
Allotment of shares	7.0	–	–
Retained profit for the financial year	–	–	187.2
Goodwill written off	–	–	(14.6)
Currency translation	–	–	19.7
Scrip dividends	(0.1)	–	5.4
Deferred taxation	–	–	0.1
Other	(0.1)	(0.1)	(0.1)
31 March 1996	**45.3**	**4.1**	**819.9**

18 GOODWILL WRITTEN OFF DIRECTLY TO RESERVES

In the year

	1996 £m	1995 £m
Subsidiary undertakings	–	3.6
Associated undertakings	14.6	28.0
Subscriber bases	–	0.8
	14.6	32.4

Associated undertakings

	Consideration £m	Share of net liabilities/ (assets) acquired £m	Total £m
Teljoy Cellular Holdings Pty Limited	4.1	1.9	6.0
Cellphones Direct (Holdings) Limited	2.8	2.0	4.8
Mobile Telecom PLC	3.5	(0.3)	3.2
Other	–	–	0.6
			14.6

In September 1995, Vodacom Group (Pty) Limited in South Africa in which the Group has a 31.5% interest, acquired a 25.6% interest in Teljoy Cellular Holdings Pty Limited. The figures stated above are therefore the Group's 8.1% effective share in the company.

Cumulative

	1996 £m	1995 £m
Subsidiary undertakings	57.9	57.9
Associated undertakings	150.1	135.5
Subscriber bases	19.9	19.9
	227.9	213.3

19 LEASED ASSETS

Operating leases

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

	1996 Land and buildings £m	1996 Other assets £m	1995 Land and buildings £m	1995 Other assets £m
In respect of leases expiring:				
Within one year	**3.2**	**8.7**	4.2	17.6
Between two and five years	**6.3**	**47.8**	1.4	38.9
After five years	**17.0**	**0.3**	9.5	0.4
	26.5	**56.8**	15.1	56.9

Finance leases

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

	Plant & machinery £m	Fixtures & fittings £m	Networks infra-structure £m	Total £m
31 March 1996				
Cost	**7.5**	**2.7**	**157.1**	**167.3**
Accumulated depreciation	**(2.7)**	**(0.3)**	**(21.0)**	**(24.0)**
Net book value	**4.8**	**2.4**	**136.1**	**143.3**
31 March 1995				
Net book value	1.9	2.3	66.3	70.5

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

20 CAPITAL COMMITMENTS

	1996 £m	1995 £m
Contracted for but not provided	**201.0**	99.2

21 CONTINGENT LIABILITIES

	1996 £m	1995 £m
Guarantees of bank or other facilities in respect of subsidiary and associated undertakings and investments	**122.6**	94.9

22 NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £m	1995 £m
Operating profit	**465.8**	353.4
Depreciation and amortisation	**116.9**	92.3
Share of (profits)/losses of associated undertakings	**(6.2)**	16.2
Decrease/(increase) in stocks	**4.1**	(0.4)
Increase in debtors	**(35.1)**	(88.2)
Increase in creditors	**69.7**	12.7
	615.2	386.0

23 FINANCING

	Share capital £m	Share premium £m	Total £m	Long term loans £m
1 April 1994	50.7	136.9	187.6	1.9
Cash inflow from financing	0.1	3.1	3.2	138.1
Shares issued for non cash consideration	101.6	(101.5)	0.1	–
1 April 1995	152.4	38.5	190.9	140.0
Cash inflow from financing	0.3	7.0	7.3	–
Shares issued for non cash consideration	0.1	(0.1)	–	–
Other	–	(0.1)	(0.1)	–
31 March 1996	**152.8**	**45.3**	**198.1**	**140.0**

24 CASH AND CASH EQUIVALENTS

	Cash at bank £m	Bank overdrafts £m	Net £m
1 April 1994	110.1	(14.3)	95.8
Net cash outflow	(94.2)	(21.6)	(115.8)
1 April 1995	15.9	(35.9)	(20.0)
Net cash outflow before adjustment for the effects of foreign exchange rate changes	(5.2)	(44.2)	(49.4)
Effect of foreign exchange rate changes	1.9	–	1.9
31 March 1996	**12.6**	**(80.1)**	**(67.5)**

25 DIRECTORS' REMUNERATION

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

	1996 £000	1995 £000
Salaries and fees	**1,863**	1,741
Other benefits	**160**	139
	2,023	1,880
Pension contributions	**537**	498
	2,560	2,378

More detailed information concerning directors' emoluments, shareholdings and options is shown in the Report of the Remuneration Committee on pages 29 to 32.

26 EMPLOYEES

The average number of persons employed by the Group during the year:	1996 Number	1995 Number
Operations	**1,647**	1,499
Selling and distribution	**791**	918
Administration	**2,290**	1,947
	4,728	4,364

The cost incurred in respect of these employees (including directors):	1996 £m	1995 £m
Wages and salaries	**112.1**	95.8
Social security costs	**9.3**	8.0
Other pension costs	**6.5**	4.5
	127.9	108.3

27 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 schemes are generally defined contribution schemes.

Defined benefit schemes

The schemes are subject to triennial valuations by independent actuaries. The last formal valuations of the main schemes were carried out as at 1 April 1995 using the projected unit credit method of valuation in which allowance is made for projected earnings growth.

At 1 April 1995, the market value of the three principal schemes was £38.1m and their actuarial value was sufficient to cover 93.1% of the benefits accrued to members. The deficiency is being dealt with by payment of contributions at the rate advised by the actuary.

The main assumptions used in the last valuations were that the average long term rate of return earned by the scheme assets would be 9% and that this will exceed the general rate of salary growth by between 1% and 2% p.a. and that equity dividend growth would be 4.5% p.a.

The pension cost for the year amounted to £5.0m (1995 – £3.5m).

A net prepayment of £4.7m (1995 – £2.8m) is included in debtors due after more than one year. This represents the excess of the amounts funded over accumulated pension costs.

Defined contribution schemes

The pension cost for the year was £1.5m (1995 – £1.0m).

28 POST BALANCE SHEET EVENTS

In April 1996, AAP Information Services Pty Limited exercised an option to acquire 5% of Vodafone Pty Limited in fulfilment of an agreement entered into when the licence was granted in 1992.

In April 1996, the Group sold its 50% holding in the engineering and manufacturing company, Orbitel Mobile Communications Limited, to L M Ericsson, its joint venture partner.

In May 1996, the Group announced that it had exercised an option to acquire a further 6.5% of the equity of Société Française du Radiotéléphone SA (SFR), for Ffr 2,300m increasing its holding to 16.5%. The Group has an option to increase its shareholding to 20% before the end of December 1997 at the same price per share. Completion is scheduled for 29 July 1996, when approximately £239m will be payable for the new shares in SFR, with a further payment of £60.7m due on 29 July 2001.

COMPANY BALANCE SHEET

AT 31 MARCH 1996

	Note	1996 £m	1995 £m
FIXED ASSETS			
Investments	29	1,572.1	1,439.0
CURRENT ASSETS			
Debtors due within one year	30	18.2	82.1
Cash at bank		–	0.2
		18.2	82.3
CREDITORS: amounts falling due within one year	31	317.8	369.7
NET CURRENT LIABILITIES		(299.6)	(287.4)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,272.5	1,151.6
CREDITORS: amounts falling due after more than one year	32	140.0	140.0
PROVISIONS FOR LIABILITIES AND CHARGES	33	–	0.2
		1,132.5	1,011.4
CAPITAL AND RESERVES			
Called up share capital	16	152.8	152.4
Share premium account	17	45.3	38.5
Capital reserve		87.9	87.9
Profit and loss account	34	846.5	732.6
Total equity shareholders' funds		1,132.5	1,011.4

Sir Gerald Whent CBE   Chief Executive

K J Hydon   Financial Director

27 June 1996

29 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m	Associated undertakings £m	Other Investments £m	Total £m
Cost				
1 April 1995	1,328.9	83.4	26.7	1,439.0
Additions	135.4	17.6	–	153.0
Disposals	–	–	(26.2)	(26.2)
Transfer from/(to) other Group companies	–	6.8	(0.5)	6.3
31 March 1996	**1,464.3**	**107.8**	**–**	**1,572.1**

Loans to associated undertakings included above amounted to £61.8m at 31 March 1996 (1995 – £44.2m).

The Company's subsidiary and associated undertakings and other investments are detailed on pages 57 and 58.

30 DEBTORS

	1996 £m	1995 £m
Due within one year:		
Amounts owed by subsidiary undertakings	**0.8**	76.1
Group relief receivable	**13.5**	3.0
Other debtors	**3.9**	3.0
	18.2	82.1

31 CREDITORS:

Amounts falling due within one year

	1996 £m	1995 £m
Amounts owed to subsidiary undertakings	**252.5**	316.9
Taxation	**0.3**	–
Other creditors	**1.9**	0.7
Proposed dividend	**62.4**	51.8
Accruals and deferred income	**0.7**	0.3
	317.8	369.7

32 CREDITORS:

Amounts falling due after more than one year

	1996 £m	1995 £m
Bank loans repayable between two and five years	140.0	140.0

The loans amounting to £140.0m would have been repayable in April 1996 in the absence of committed facilities which expire in February 1999 and 2001. The bank loans bear floating rates of interest.

33 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	£m
1 April 1995	(0.2)
Profit and loss account	0.2
31 March 1996	–

	1996		1995	
	Amount provided £m	Amount unprovided £m	Amount provided £m	Amount unprovided £m
Other timing differences	–	(1.0)	0.2	–
	–	(1.0)	0.2	–

34 PROFIT AND LOSS ACCOUNT

	£m
1 April 1995	732.6
Retained profit for the year	108.5
Scrip dividends	5.4
31 March 1996	846.5

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 £231.1m (1995 – £206.4m).

35 CONTINGENT LIABILITIES

The Company has guaranteed certain of the overdraft and loan facilities of its subsidiary and associated undertakings and investments as set out in note 21 on page 51. In addition, the Company has guaranteed certain of the overdraft and loan facilities of its subsidiaries as follows:

	1996 £m	1995 £m
Guarantees	0.8	4.7

Vodafone Group Plc had at 31 March 1996 the following subsidiaries affecting the profits and assets of the Group:

PRINCIPAL SUBSIDIARY UNDERTAKINGS

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 shareholdings
Hawthorn Leslie Group Limited	Holding company	England	100
Vodacom Limited	Service provider	England	100
Vodac Limited*	Service provider	England	100
Vodac (Ulster) Limited	Service provider	Northern Ireland	51
Vodacall Limited	Service provider	England	100
Vodafone Europe Holdings BV*	Holding company	Netherlands	100
Telecell Limited	Cellular network operator	Malta	80
Vodafone Australasia Pty Limited**	Holding company	Australia	100
Vodafone Pty Limited†	Cellular network operator	Australia	95
Vodac Pty Limited††	Service provider	Australia	100
Vodafone SA	Service provider	France	100
Vodafone GmbH	Holding company	Germany	100
Vodafone Holdings (SA) (Pty) Limited	Holding company	South Africa†††	100
Vodafone Finance Limited	Financial trading company	England	100
Vodafone Group Services Limited	Provision of central services	England	100
Vodafone Jersey Limited	Holding company	Jersey	100
Vodafone Limited*	Cellular network operator	England	100
Vodapage Limited	Radiopaging network operator	England	100
Air Call Communications Limited	Radiopaging network operator	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	Packet radio network operator	England	100

* Indirectly held.

** Share capital consists of 31,110,200 ordinary shares and 669 redeemable preference shares.

† Share capital consists of 55,004,565 ordinary shares and 73,390 redeemable preference shares, both of which were 95% indirectly held by Vodafone Group Plc.

†† Share capital consists of 2 ordinary shares and 6,700 redeemable preference shares.

††† Incorporated in South Africa, principal place of business in the Netherlands.

Vodafone Group Plc had at 31 March 1996 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
Astec Communications Limited*	Service provider	20	£125	30.6.95	England
Cellphones Direct (Holdings) Limited*	Holding company	16	£2,083,333	31.3.96	England
Cellphones Direct Limited	Service provider				
Celtel Limited*	Cellular network operator	37	Shilling 6,000,800	31.3.96	Uganda
CV Gemeenschapplijk Bezit Libertel*	Holding partnership	35	–	31.12.95	Netherlands
Libertel Groep BV	Holding company				Netherlands
Libertel BV	Cellular network operator				Netherlands
Liberfone BV	Service provider				Netherlands
General Mobile Corporation Limited	Holding company	33	£40 million	31.12.95	England
Talkland International (UK) Limited	Service provider				England
Martin Dawes Telecommunications Limited	Service provider	20	£632,601	30.6.95	England
Mobile Telecom Group Limited*	Holding company	20	£5,740	31.3.96	England
Mobile Telecom PLC	Service provider				
Orbitel Mobile Communications (Holdings) Limited	Holding company	50	£16,000,100	31.3.96	England
Orbitel Mobile Communications Limited	Mobile telecommunications equipment manufacturer				England
Pacific Link Communications Limited*	Cellular network operator	35	HK$13,000	31.12.95	Hong Kong
Panafon SA*	Cellular network operator	45	GRD25,625 million	31.12.95	Greece
Panavox SA*	Service provider	45	GRD1,061 million	31.12.95	Greece
Vodacom Group (Pty) Limited*	Holding company	32	Rand 100	31.3.96	South Africa
Vodacom Pty Limited	Cellular network operator				South Africa
Vodac Pty Limited	Service provider				South Africa
Vodafone Fiji Ltd*	Cellular network operator	49	F$ 6 million	31.12.95	Fiji

* Indirectly held

†† To nearest whole percentage

PRINCIPAL INVESTMENTS

The shareholdings in investments consist solely of ordinary shares and are indirectly held. 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
Dansk Mobiltelefon AB	Holding company for 20% of Danish GSM network operator	25	Sweden
E-Plus Mobilfunk GmbH	Cellular network operator	17	Germany
Globalstar L.P.†	Development of satellite telecommunications service	8	USA
NordicTel Holdings AB	Holding company for Swedish cellular network operator	19	Sweden
Société Française du Radiotéléphone SA	Cellular network operator	10	France

† Partnership interest

†† To nearest whole percentage

PROFIT AND LOSS

	1996	1995	1994	1993	1992
	£m	£m	£m	£m	£m
Turnover	1,402	1,153	851	664	585
Profit before taxation	475	371	363	322	272
Taxation	165	133	118	100	88
Profit after taxation	310	238	245	222	184
	Pence	Pence	Pence	Pence	Pence
Earnings per share††	10.15	7.80	8.11	7.36	6.13
Dividend for the year††	4.01	3.34	2.78	2.32	1.93†

BALANCE SHEET

	1996	1995	1994	1993	1992
	£m	£m	£m	£m	£m
Fixed assets	1,422	1,102	720	563	438
Other net (liabilities)/assets	(398)	(284)	(22)	33	14
Total net assets	1,024	818	698	596	452
Equity shareholders' funds	1,022	817	698	596	452

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

†† As restated for 1994 capitalisation issue.

The following is a summary of the effects of the differences between US Generally Accepted Accounting Principles ('US GAAP') and UK Generally Accepted Accounting Principles ('UK GAAP') that are significant to Vodafone Group Plc. The principles are set out on page 61.

NET INCOME AND EARNINGS PER ORDINARY SHARE

	1996 £m	1995 £m
Net income as reported in accordance with UK GAAP	309.8	237.4
Items increasing/(decreasing) net income:		
Goodwill amortisation	(9.1)	(8.7)
Equity in losses of associated undertakings	(6.8)	(6.1)
Licence fee amortisation	(3.2)	(5.9)
Deferred income taxes	4.3	(8.8)
Pension cost	(0.3)	(1.9)
Other	(1.0)	(2.7)
Net income in accordance with US GAAP	293.7	203.3
Earnings per ordinary share in accordance with US GAAP	9.62p	6.68p

SHAREHOLDERS' EQUITY

	1996 £m	1995 £m
Shareholders' equity as reported in accordance with UK GAAP	1,022.1	817.3
Items increasing/(decreasing) shareholders' equity:		
Goodwill – net of amortisation	245.0	246.3
Licence fee amortisation	(13.6)	(9.9)
Revaluation of marketable securities	7.9	17.8
Cumulative deferred income taxes	(78.6)	(82.9)
Proposed dividends	62.4	51.8
Cumulative pension cost	(2.2)	(1.9)
Other	(1.7)	(0.7)
Shareholders' equity in accordance with US GAAP	1,241.3	1,037.8

TOTAL ASSETS

	1996 £m	1995 £m
Total assets as reported in accordance with UK GAAP	1,763.4	1,409.5
Items increasing/(decreasing) total assets:		
Goodwill – net of amortisation	114.3	123.4
Investment in associated undertakings – net of amortisation	130.7	122.9
Revaluation of marketable securities	7.9	17.8
Licence fee amortisation	(13.6)	(9.9)
Cumulative capitalisation of interest costs – net of amortisation	0.6	1.0
Pension prepayment	(2.1)	(1.8)
Total assets in accordance with US GAAP	2,001.2	1,662.9

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 page 60.

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.

MARKETABLE SECURITIES

Under UK GAAP, quoted investments held as fixed asset investments are carried at cost. Under US GAAP, they are classified as available-for-sale securities and are valued at market price with unrealised gains and losses excluded from earnings and reported within a separate component of shareholders' equity.

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

As is explained in the Statement of Accounting Policies on pages 42 and 43, the Group has changed its accounting policy to translate overseas subsidiary and associated companies' results at average rates, which is in accordance with US GAAP. As the effect on the current and prior year results is not material, comparatives have not been restated.

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 £203.3m and £293.7m for the years ended 31 March 1995 and 1996 respectively, by 3,043,774,906 and 3,052,281,614 which are the approximate weighted average number of ordinary shares outstanding for the years ended 31 March 1995 and 1996 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

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 the Company by The Bank of New York, ADR Division, 101 Barclay Street, New York, N.Y. 10286.

ADR holders are not members of the Company but may instruct The Bank of New York as to the exercise of voting rights relative to the number of ordinary shares represented by their ADRs.

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 RG14 1JX, England.

DIVIDENDS AND ADR HOLDERS

ADR holders are generally eligible for all dividends or other entitlements attaching to the underlying shares of Vodafone Group Plc and receive all cash dividends in US dollars. 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 tax will be income to the holder for Federal income tax purposes. ADR holders unsure of their tax position should consult their independent tax adviser.

REGISTRARS AND TRANSFER OFFICE

Vodafone Group Plc has recently changed its Registrars who are now The Royal Bank of Scotland plc, Securities Services – Registrars, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH (telephone 0117 930 6600).

ANNUAL GENERAL MEETING

The twelfth Annual General Meeting of Vodafone Group Public Limited Company will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1 on 24 July 1996 at 11.15am. The Notice of Meeting, together with details of the business to be conducted at the Meeting, is being circulated to shareholders with this Report.

SHAREHOLDERS

Number of ordinary shares held at 31 March 1996	Number of accounts	% of total issued shares
1 – 1,000	10,620	0.16
1,001 – 5,000	19,009	1.56
5,001 – 50,000	9,137	3.72
50,001 – 100,000	492	1.15
100,001 – 500,000	703	5.30
More than 500,000	492	88.11
	40,453	100.00

TYPE OF SHAREHOLDER AT 31 MARCH 1996

	Number of accounts	% of total issued shares
Private individuals	30,935	4.90
Nominee companies	7,917	51.45
Investment trusts and funds	679	3.04
Insurance companies	403	4.00
Commercial and industrial companies	367	0.85
Other corporate bodies	60	0.76
Banks	58	0.03
Pension funds and trustees	32	0.69
Bank of New York Nominees – ADRs*	1	32.53
Sepon Limited	1	1.75
	40,453	100.00

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

* At 31 March 1996 there were 1,031 registered holders of ADRs representing approximately 13,400 beneficial holders.

SHARE PRICE INFORMATION

The current share price for Vodafone Group Plc can be obtained in the UK by dialling the Financial Times Cityline service on 0336 435555. Calls are charged at 36p per minute cheap rate and 48p per minute at all other times.

CREST

CREST is the name of a new computerised system for the settlement of sales and purchases of shares on the London Stock Exchange, which is currently in the final stages of development and testing and which is expected to become operational in July 1996. The existing TALISMAN share settlement system is likely to have been phased out by April 1997, although this does not mean that shareholders will have to give up their share certificates. CREST is voluntary and CRESTCo Limited, the operator of the new system, has indicated that it would probably be sensible for shareholders who do not deal frequently to continue to hold traditional share certificates. It should be noted that CREST will not affect the way shareholders receive dividends. A leaflet about CREST, prepared by CRESTCo, is enclosed with this Report.

NOTIFICATION OF DIRECTORS' RESOLUTION RELATING TO THE CREST SYSTEM

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1995 ('the Regulations'), that, on 28 May 1996, the Company resolved by a resolution of its directors that title to the ordinary shares of 5p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the directors became effective immediately.

The above notice is the notice that the Company is obliged to give to its shareholders, under the Regulations, of the passing of a 'directors' resolution' (as defined in the Regulations) in relation to its ordinary shares. The directors' resolution will enable the Company's ordinary shares to join CREST although the shares did not become transferable by means of the CREST system merely by virtue of the passing of the directors' resolution, as the permission of CRESTCo is also required before the shares can join the system. This consent has now been obtained and it is currently planned that the Company's shares will join CREST on 30 September 1996.

The effect of the directors' resolution is to disapply those provisions of the Company's Articles of Association that are inconsistent with the holding and transfer of shares in CREST and any provision of the Regulations, as and when the shares enter the CREST system.

Shareholders should note that, under the Regulations, they have the right by ordinary resolution to resolve that the directors of the Company shall take the necessary steps to ensure that title to the shares concerned shall cease to be transferable by means of the CREST system and that the directors' resolution shall cease to have effect.

The Company's Registrars, The Royal Bank of Scotland plc, who are members of CREST, have advised the Company of their intention to develop a special CREST nominee service for shareholders of their client companies. Although full details of this service have yet to be finalised, it is proposed that shareholders should be able to participate economically in CREST by registering their shares in the name of the Bank's nominee whilst continuing to receive shareholder communications. The extent to which the service may confer rights in relation to general meetings is under review but full details of the nominee service will be sent to shareholders with dividend tax vouchers for the final dividend in August 1996.

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 the Company's Registrars. The value of new shares issued under the scheme, the 'cash equivalent', is the average middle market price of the Company's shares on the London Stock Exchange for the five business days beginning with the date the shares are first quoted 'ex-dividend'. If on the first day of dealing on the London Stock Exchange in the new shares the cash equivalent was to differ substantially (interpreted by the Inland Revenue to be 15 per cent or more) from the market value of a new share, the Inland Revenue may substitute that market value as the 'cash equivalent'. The table below shows the figures for the last two dividends in relation to new shares issued under the scheme:

	Cash equivalent	Market value
Final dividend 1995 (17 August 1995)	229.5p	265.5p
Interim dividend 1996 (12 February 1996)	226.3p	230.0p

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, PO Box 1, Taunton Street, Shipley, West Yorkshire BD18 3NG or telephone 01274 555700.

CONSOLIDATION OF SHARE ACCOUNTS

Shareholders whose total registered shareholding is represented by more than one account, evidenced by the receipt of duplicate copies of mailings to shareholders, and who wish to have their holdings consolidated should send an appropriate letter of instruction to the Company's Registrars. There is no charge for this service.

DIVIDEND MANDATES

Shareholders who wish to receive cash dividends directly into their bank or building society account should contact the Company's Registrars for a mandate form or complete the form which will be attached to dividend tax vouchers in respect of the payment of the final dividend in August 1996.

UNSOLICITED MAIL

The Company is obliged by law to make its share register available to other organisations and as a result some shareholders may have received unsolicited mail.
Any shareholder who wishes to limit the receipt of such mail should contact The Mailing Preference Service, Freepost 22, London W1E 7EZ who, as a free service to the public, will notify organisations which support its service of the shareholder's wishes.

Cellular radio network operations

Cellular radio service provision

Data transmission over cellular radio networks

Packet radio network operation

Radiopaging

Satellite mobile communications

Value added network services

Vodafone Group Plc

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VODAFONE GROUP

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