SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: March 31, 1998
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from: to

Commission file number: 1-10086

VODAFONE GROUP PUBLIC LIMITED COMPANY
(Exact Name of Registrant as specified in its Charter)

England
(Jurisdiction of incorporation or organization)

The Courtyard, 2-4 London Road, Newbury, Berkshire RG14 lJX, England
(Address of Principal Executive Offices)

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

Title of each class	Name of each exchange on which registered
Ordinary Shares of 5p each	New York Stock Exchange*

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

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

Ordinary Shares of 5p each 3,085,587,323

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

Yes [X] No [ ]

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

Item 17 [ ] Item 18 [X]

TABLE OF CONTENTS

Definitions

"ADS"	American Depositary Share.
"ADR"	American Depositary Receipt.
"BT"	British Telecommunications plc.
"Cable & Wireless Communications"	Cable & Wireless Communications plc.
"Cellnet"	Telecom Securicor Cellular Radio Limited.
"Company"	Vodafone Group Plc.
"Director General"	the UK Director General of Telecommunications.
"Directors"	the directors of Vodafone Group Plc.
"GSM"	Global System for Mobile Telecommunications.
"Mercury One-2-One"	Mercury Personal Communications Limited.
"MTX"	Computerized Mobile Telephone Exchange.
"NYSE"	The New York Stock Exchange Inc.
"Oftel"	the UK Office of Telecommunications.
"Orange"	Orange Personal Communications Services Limited.
"PCN"	Personal Communication Network.
"PTO"	Public Telecommunications Operator.
"Secretary of State"	the UK Secretary of State for Trade and Industry.
"UK"	the United Kingdom.
"Vodafone"	Vodafone Limited.
"Vodafone Group" or "Group"	Vodafone Group Plc and its subsidiaries.

Introduction

Vodafone Group publishes its Consolidated Financial Statements in pounds sterling. In this Annual Report, references to "US dollars", "$", "cents" or "¢" are to United States currency and references to "pounds sterling", "£", "pence" or "p" are to UK currency. Merely for convenience, this Annual Report contains translations of certain pound sterling amounts into US dollars at specified rates. These translations should not be construed as representations that the pound sterling amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated or at any other rate. Unless otherwise indicated, the translations of pounds sterling into US dollars have been made at $1.6766 per £1.00, the noon buying rate in the City of New York for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 31, 1998. The Noon Buying Rate on July 1, 1998 was $1.6616 per £1.00. See "Exchange Rates" in "Item 8 Selected Financial Data" of this Annual Report for information regarding the Noon Buying Rate for the fiscal years ended March 31, 1994 through March 31, 1998.

This document contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, with respect to the financial condition, results of operations and business of the Vodafone Group and certain of the plans and objectives of the Vodafone Group with respect to these items. In particular, among other statements, certain statements in "Item 1 Description of Business" and in "Item 9 Management's Discussion and Analysis of Financial Condition and Results of Operations" including, without limitation, those concerning the Vodafone Group's expectations and plans, strategy, management's objectives, trends in market shares, market standing, overall market trends, risk management, exchange rates and revenues and general and administration expenses, contain forward-looking statements concerning the Vodafone Group's operations, performance and financial condition. Such statements may generally, but not always, be identified by their use of words such as "anticipates", "should", "expects" or "believes". By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, changes in demand for the Vodafone Group's products and services, the impact of competitive products and services, and pricing of the Company's and its competitors' products, the impact of regulation, future exchange and interest rates, changes in tax rates and future business combinations or dispositions.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Vodafone Group is a leading provider of international mobile telecommunications services and operates in fourteen countries through its equity interests. The number of customers connected to its cellular networks worldwide (proportionate to Vodafone Group's equity stakes) increased in the year by 1,828,000 to 5,844,000 at March 31, 1998.

Its principal business continues to be the operation in the UK of digital and analog cellular radio telephone networks of Vodafone, which is one of four UK cellular telephone operators. Service on the digital network was introduced in December, 1991 while service on the analog network was introduced on January 1, 1985. The number of customers on the digital network has now grown to approximately 2.6 million out of a total of 3.4 million UK customers at March 31, 1998.

Service on the Vodafone digital and analog networks is sold to customers by service providers or retailers who also sell or rent cellular telephone equipment. At March 31, 1998, there were in excess of 30 service providers connecting to the Vodafone networks. In July 1997, the Vodafone Group announced the re-organisation of the activities of its six wholly owned UK service providers, Astec Communications Limited, Peoples Phone Limited, Talkland International (UK) Limited, Vodac Limited, Vodacall Limited and Vodacom Limited into three businesses, Vodafone Retail Limited, Vodafone Connect Limited and Vodafone Corporate Limited, each concentrating on a distinct market sector. The three businesses and the wholly owned shops trade under a single brand name—Vodafone.

Vodafone Group provides, through Vodafone Value Added Services Limited, formerly Vodata Limited, messaging, third-party charging and data transmission facilities and access to information services, all of which are designed to increase the utility of the Vodafone digital and analog networks. Vodafone Data Network Limited, formerly Paknet Limited, operates a packet radio network (the radio equivalent of a public data network) in the UK. On June 30, 1997, the paging businesses previously operated by Vodapage Limited and Air Call Communications Limited were combined under the name Vodafone Paging Limited.

Vodafone Group has a number of subsidiaries worldwide. In January 1998, Vodafone Group increased its interest in both Libertel BV, which operates one of two GSM networks in the Netherlands, and Libertel Verkoop en Services BV (formerly Liberfone BV), which sells service on the Libertel BV network, to 61.5% from 35% at March 31, 1997 and in March 1998 increased it again to 70%. In Greece, Vodafone Group has a 55% interest in both Panafon SA, which operates one of three digital cellular networks in that country, and Panavox SA, which sells service on the Panafon SA network. In Malta, Vodafone Group has a 80% interest in Vodafone Malta Limited, formerly Telecell Limited, which operates the analog cellular network in that country and a GSM digital network which opened for service in July 1997. In France, Vodafone SA, a wholly owned subsidiary of Vodafone Group, is a service provider for the French digital cellular networks. Vodafone Group has a 91% interest in Vodafone Network Pty Limited, formerly Vodafone Pty Limited, one of three digital cellular network operators in Australia. The Group's wholly owned Australian service provision businesses, Vodac Pty Limited, Vodacall Pty Limited and its 91% owned service provision businesses Vodafone Pty Limited and Talkland Retail Australia Limited, have been refocused into a single service provision business under the Vodafone brand name.

Vodafone Group also has a number of international investments. In December 1997, Vodafone Group exercised an option to acquire further equity in Société Française du Radiotéléphone SA ("SFR'), a network operator in France, increasing its holding from 16.1% at March 31, 1997 to 20%. In South Africa, Vodafone Group has a 31.5% interest in Vodacom Group (Pty) Limited, the holding company of a digital network operator and service provision companies. Vodafone Group disposed of its 35% interest in the Hong Kong based Pacific Link at a profit in December 1997. In Germany, Vodafone Group has an investment of 17.2% in E-Plus Mobilfunk GmbH. Vodafone Group has a 20% interest in Europolitan Holdings AB, which operates one of three GSM networks in Sweden. Vodafone Group also has other interests in mobile communication networks in Fiji and Uganda, in Globalstar L.P., a US partnership developing satellite based digital communications systems and in Comfone SA, a GSM billing and roaming bureau based in Switzerland. In March 1998, the Misrfone consortium, in which the Group has a 30% interest, was awarded a license to operate Egypt's second GSM network.

Revenues and operating income

The following table shows total turnover and operating profit for Vodafone Group for the three years ended March 31, 1998.

Years ended March 31,					
Turnover			Total Group Operating Profit		
1998	1997	1996	1998	1997	1996
£m	£m	£m	£m	£m	£m
2,470.8	1,749.0	1,402.2	686.4	538.9	475.9

See Note 3 of Notes to Consolidated Financial Statements for a brief discussion of business segment and major customer information. The implementation of UK Financial Reporting Standard 9 has necessitated the restatement of the fiscal 1997 and fiscal 1996 operating profit. (See item 9).

Vodafone

Cellular telephone technology

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

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

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

Both Vodafone and Cellnet were able to operate their networks using 300 channels each in the radio frequency band known as the TACS Band and a further 320 channels each in a different frequency known as the ETACS Band. However, due to the migration of customers from the analog network to the digital network and the consequent decline in analog traffic, some of the 300 TACS channels are being redeployed for use in the digital network.

The Vodafone digital network

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

The GSM standard has now been adopted by 110 countries worldwide in which there are more than 250 licensees. Vodafone currently has 130 network roaming agreements where service is in operation and is in negotiation for additional network roaming agreements with over 45 other GSM network operators.

These roaming agreements enable Vodafone digital customers to make and receive calls when visiting countries in which a licensee has an agreement with Vodafone. Similarly, it allows visitors to use their mobile phone in the UK if their network operator has signed an agreement with Vodafone.

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

Vodafone's digital network was introduced in Central London in December 1991 and by March 31, 1998 there were 27 MSCs and over 3,800 digital base stations in service in the UK, giving declared coverage to over 98% of the population. The existing network of almost 1,100 analog base station sites has been equipped with digital electronic equipment and in addition a network of digital only sites has been constructed to increase both coverage and capacity. Connections between base stations, BSC's and MSCs consist of landline or microwave links, the majority of which are leased from BT or Cable and Wireless Communications, the two major national landline telephone network operators. The increased roll-out of the digital network is reflected in Vodafone's capital expenditure where, of a total spend of £267 million in the year ended March 31, 1998, £220 million was spent on the digital network infrastructure. When completed, the Vodafone digital network is expected to exceed 8,000 digital base stations and when all frequencies that can be moved have been migrated from analog to digital, system capacity is expected to be in the order of 14 million customers. Vodafone is committed to minimizing the visual impact of installations on the environment.

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

Tariffs and billing for the Vodafone digital network

During the financial year, Vodafone restructured and simplified its recommended digital tariffs to offer improved value for existing customers and to stimulate customer growth and usage. Most digital tariffs now incorporate per-second billing and "bundles" of free minutes, together with options to make local calls to the appropriate local dialling code on the fixed network and to other Vodafone mobile phones at the off-peak rate and to make international calls at reduced rates. On January 1, 1998 the bundles of free minutes were extended by between 20% and 33%, call charges reduced and a simplified naming structure introduced. 'Vodafone 20' offers 20 inclusive minutes within the monthly access of £17.50 (including value added tax) with call charges of 35p peak and 10p off-peak per minute. 'Vodafone 60' offers 60 inclusive minutes for a monthly access of £25 with lower call charges. The pattern is continued for 'Vodafone 120', 'Vodafone 300' and 'Vodafone 500' which offer larger bundles of minutes for the higher usage customer for an increasing monthly access but with reducing call rates, up to the 'Vodafone 500' which has an monthly access of £100 and call rates of 16p peak and 8.5p off-peak. For a £2.50 monthly premium customers can select the Local Call Saver option where local calls and calls to other Vodafone mobiles can be reduced to 10p per minute for most tariffs.

Group Saver tariffs were also introduced during the year which allow customers to add additional phones up to a stated maximum to a standard subscription at a reduced monthly access and then share the bundle of free calls. The 'Vodafone Group Saver 60' and 'Vodafone Group Saver 120' commenced service during the financial year: since then the Group Saver concept has been extended to larger bundles of up to 5000 minutes per month to permit corporate customers to take advantage of this tariff option.

Tariff initiatives are continuing. On May 4, 1998 Vodafone announced a further saving to its digital customers from June 1, 1998 by reducing all digital off-peak tariffs (and some analog tariffs) to 5p a minute together with further rate reductions on the Local Call Saver option.

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

Service providers are given a discount on the airtime rates for each tariff which increases depending on the number of customers the service provider has registered on the Vodafone network. This current scheme starts at a rate of 22.00% and reaches 27.50% when a service provider's base exceeds 200,000. A discount to service providers is allowed on connection charges at a standard rate of 25.00% and on access charges at rates which vary dependent upon the tariff from 26% to approximately 43%.

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

The Vodafone analog network

The Vodafone analog network currently transmits and receives calls on its voice channels by means of over 2,150 cells served by almost 1,100 base stations and the 13 MTXs currently in use. Connections between base stations and MTXs, and between MTXs, consist of landline or microwave links, the majority of which are leased from British Telecom or Cable & Wireless Communications, the two primary national landline telephone network operators.

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

Vodafone network resilience is supported by a network of tandem switches to convey traffic between the mobile switches. In addition, customer data has been moved from switches to computers which act as home location registers. This has facilitated Vodafone's introduction of additional facilities to the system, such as fraud prevention measures.

Vodafone has reached an agreement with the Department of Trade and Industry in the UK that Vodafone would close the analog network no later than the end of 2005. The Vodafone digital network already offers better coverage than the analog network in many parts of the UK and a significant number of analog customers have already migrated to the digital network. The current digital network investment program should ensure that Vodafone has an alternative for its analog customers before the end of 2005.

Tariffs and billing for the Vodafone analog network

On April 1, 1997 Vodafone had three significant recommended analog tariffs, "BusinessCall" for the higher usage customer, "LowCall" and "LowCall Extra", alternative tariffs for customers with lower airtime usage. Each tariff consists of three elements: an initial connection charge, a monthly access charge and a charge for airtime used. In addition, for the LowCall Extra tariff, a credit of up to £6.50 per month (including value added tax) is given against airtime charges incurred. On August 1, 1997 a revised LowCall Extra tariff was introduced with a reduced off-peak rate, together with the LeisureCall tariff which includes a credit of up to £5.00 per month of off-peak calls. Airtime charges for calls within the UK do not vary with distance or depend on whether the calls are to telephones on the analog network or to telephones on another network. Vodafone recommends a separate tariff with respect to calls made through private telephone exchanges connected directly to the Vodafone network.

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

In September 1996, Vodafone became the first UK network operator to offer a mobile phone service with no contract, Vodafone PrePay. The service provides customers with prepaid access and airtime and is attractive to those who do not want an airtime contract with the normal minimum one year commitment or who do not wish to undergo the associated credit checks. This service was relaunched on November 3, 1997 as 'Pay as You Talk' with new customers being offered a starter pack, typically £99, offering a phone, 30 days of service credit and £7.50 of call credit. Calls are either 40p per minute at all times, or 5p per minute off-peak and 60p peak. When either the service credit or calling credit is expended, customers can buy a credit top-up through one of many high street outlets, for 15. This credit can be applied to either 30 days of service and £7.50 of calls or entirely to calls. The service had over 136,000 customers at March 31, 1998.

Market

The UK cellular telephone market, having grown rapidly since the commencement of commercial service in January 1985, has become much more competitive. Initially, small businesses, entrepreneurs and professionals constituted a large proportion of Vodafone's customers, with large corporations subsequently becoming major users and contributing significantly to the overall growth in customer numbers. The introduction of competitive tariffs with lower monthly access charges and inclusive call minutes is attracting increasingly significant numbers of lower-use customers to all networks.

The directors estimate that during the year ended March 31, 1998 the overall UK market increased by over 1,900,000 customers, or over 27%, from just under 7,100,000 to over 9,000,000 customers (See "Competition"). Vodafone enjoyed growth of approximately 20% in its customer base in the year, connecting 563,000 net new customers to its digital and analog networks. Vodafone has approximately 38.0% of the total market which compares with Cellnet's estimated 34.1%, and the two PCN operators together at approximately 27.9%.

For the UK digital market alone, Vodafone increased the number of customers on its network from just under 1,480,000 at March 31, 1997 to over 2,560,000 at March 31, 1998. This net growth of over 1,080,000 customers, which includes 284,000 customers who migrated from analog to digital, represented a growth rate of 73%. At March 31, 1998 the total digital market was over 7,300,000: Vodafone continued to be the market leader, with an advantage over Cellnet of approximately 250,000, over Orange of approximately 1,230,000 and over Mercury One-2-One of approximately 1,360,000.

For the market as a whole, digital continues to increase in importance, from a 58% share at March 31, 1997 to 82% at March 31, 1998. Vodafone itself now has 75% of its customers on its digital service compared to 52% at March 31, 1997.

Vodafone's restructured digital tariffs, offering per second billing, bundles of free minutes and competitive call rates have been a significant factor underlying the level of net growth in the number of customers connected to the digital service and in the growth of usage of the network.

During the year, the overall rate of customers leaving the Vodafone service, known as churn, increased to 29% from 27% in the previous year. Digital churn, however, was only 20%, and whilst analog churn was high, a major contributory factor was that lower spending customers tended to disconnect from the analog network prior to reconnecting to the digital network to take advantage of incentives available rather than transfer between the two services as high street competition intensified. This effect will become less significant as the analog customer base diminishes.

Marketing

Vodafone engages in two forms of marketing: broad marketing designed to increase general public awareness of the Vodafone network and marketing specifically directed at service providers. Broad marketing efforts include advertising on radio and television, in general circulation newspapers, magazines and in specialised publications. To sustain its competitive position, Vodafone has introduced a new corporate identity during the year, following this by a substantial advertising campaign to promote this identity, developed around a consistent theme employed on promotional and point of sale material as well as press advertising. Vodafone's agreement with the England and Wales Cricket Board to sponsor the England men's and women's cricket teams for a five year period commenced with the winter tours of 1997/98, with use of the new corporate identity. 1998 was the fourth year of sponsorship of the Epsom Derby Meeting, and in addition to the substantial media coverage of the event, the occasion was also used as a focus for promotions and incentives.

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

Service providers vary considerably in terms of their strategy, size and funding ability. In selecting service providers Vodafone takes into account their familiarity with mobile communications and their ability to broaden Vodafone's market coverage. At March 31, 1998 thirteen of Vodafone's service providers each had over 50,000 customers connected to the Vodafone network. Seven of these service providers each had over 150,000 customers and accounted for approximately 78% of Vodafone's total customers.

Vodafone Corporate, Vodafone Retail and Vodafone Connect, which are all wholly owned by Vodafone, together accounted for 47% of Vodafone's total customers at the year end (see "Vodafone Distribution").

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

Competition

Until 1993, Vodafone's only direct competitor was Cellnet. When Vodafone and Cellnet began commercial operation of their respective networks in January 1985, Cellnet benefited from its association with BT, one of the UK's largest companies, and emerged as the early market leader with a market share which the directors believe to have been approximately 60% of all UK cellular telephone customers at September 1985. Vodafone has since become market leader and based on industry and press reports, Vodafone's total market share at March 31, 1998 was approximately 38%. During 1997/98 the overall market for mobile communications expanded significantly with over 1,900,000 net new customers joining the networks. Net growth for Vodafone and Cellnet amounted to approximately 940,000 customers compared with 724,000 in the previous year.

The UK Department of Trade and Industry licensed three other operators to set up and run new two-way mobile PCNs in the UK in high frequency, high capacity bands, intended to compete with the two existing cellular radio operators. In 1992, two of the licensed PCN operators, Unitel and Mercury, merged. The merged company, Mercury One-2-One, opened service in September 1993 and the directors believe, based on industry sources, that Mercury One-2-One had approximately 1,200,000 customers at March 31, 1998. Since March 31, 1994 a second PCN operator, under the brand name "Orange", has also opened service and, according to industry sources, had approximately 1,320,000 customers at March 31, 1998.

Vodafone and Cellnet compete for new customers on the basis of value for money, quality and range of services offered, focusing much of their competitive efforts on service providers. Orange and One-2-One market their services mainly direct or through multiple retailers and compete with Vodafone and Cellnet on price and increasingly quality of service and coverage.

Vodafone will have completed the necessary work to enable the introduction of number portability, whereby a customer may transfer to a different cellular network whilst retaining his or her existing number, on January 1, 1999.

After extensive discussions with OFTEL and in agreement with the other network operators, the methodology of quality of service measurement has been changed from in car hand portable performance to outdoor hand portable performance. Tests currently indicate a Vodafone success rate in its geographical coverage areas of over 96%. In tests on motorways and in major towns, regardless of declared geographical coverage, the success rate is in excess of 93%. These statistics continue to demonstrate that Vodafone operates the network with the highest quality of service in the UK.

Relationships with other UK Public Telecommunications Operators

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

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

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

In March 1997, Oftel issued a Consultative Document on the prices of calls to mobile telephones as part of an investigation into the level of charges that mobile operators make to BT and Cable & Wireless Communications (CWC) for call termination and the mark-up that BT adds in setting its retail prices. In March 1998, having considered the responses to the consultation, examined cost data and held discussions with the relevant operators, the Director General of Oftel referred the matters of Vodafone's and Cellnet's interconnection charges and BT's retail prices to the Monopolies and Mergers Commission (MMC) for investigation, on the basis that it would not be appropriate for him to take action on the narrow issue of call termination rates without a full consideration of the wider public interest of the effects of such action. The issues are complex and wide-ranging and the MMC is expected to report its conclusions in December 1998, having recently sought an extension of time to complete its enquiries.

The Vodafone charges to terminate calls from CWC customers, which form part of the interconnection agreement between the two companies, were determined by Oftel in 1991, and are re-assessed annually. In January 1998 Vodafone and CWC negotiated a revised interconnect agreement where CWC would pay the same amount as BT and the annual determination by Oftel would no longer be required.

Network equipment suppliers

The majority of capital expenditure in the year ended March 31, 1998 (approximately £220 million out of a total of 267 million) has been on the digital network infrastructure. The principal components of the network, cell site network equipment, base station controllers and mobile switching centre equipment, are purchased by Vodafone for the digital network and are manufactured by Ericsson and by Nokia. In the year ended March 31, 1998 Vodafone purchased digital equipment costing over £140 million from Ericsson and a lesser sum from Nokia. Other expenditure on the network principally relates to the construction and equipping of radio base station sites and switch centres, together with the establishment of links to carry telephone traffic between these sites and centres.

Vodafone Distribution

In July 1997, Vodafone Group announced the reorganization of the activities of its six UK service providers, Astec Communications Limited, Peoples Phone Limited, Talkland International (UK) Limited, Vodac Limited, Vodacall Limited and Vodacom Limited into three businesses, Vodafone Retail Limited, Vodafone Connect Limited and Vodafone Corporate Limited, each concentrating on a distinct market sector.

The three businesses and their wholly owned shops trade under a single brand name — Vodafone. Exceptional reorganization costs of £19.7m in relation to the reorganisation were incurred in the year ended March 31, 1998 and included amounts for redundancies and costs associated with the rationalisation of the retail shop chains. As a result of this 72 shops have been closed and approximately 350 redundancies made.

At March 31, 1998 the three in-house distribution businesses had approximately 1,614,000 customers and accounted for approximately 47% of the Vodafone customer base. Net connections during the year to March 31, 1998 were 107,000. The distribution businesses also act as a service provider to other networks.

Vodafone Retail

At March 31,1998 Vodafone Retail had 721,000 Vodafone customers, accounting for approximately 21% of Vodafone's customer base at that date.

During the year the retail chains formerly trading under diverse names were re-branded and at March 31, 1998 there were 240 shops trading under the Vodafone brand. This now forms the UK's only truly national chain of specialist mobile telephone retailers. These shops are located throughout Great Britain and, as well as selling cellular services and telephone equipment, carry a range of other telecommunications equipment. This includes data cards, fixed telephones, faxes, accessories for mobile phones and traffic information systems.

Vodafone Retail directs its marketing activity towards the individual consumer and small to medium sized enterprises.

Vodafone Connect

At March 31, 1998 Vodafone Connect had 596,000 Vodafone customers, accounting for approximately 17% of Vodafone's customer base at that date.

Vodafone Connect supplies cellular services, telephones and related equipment both directly to specialist independent dealer businesses and the multiple retailers who have not traditionally sold mobile phones. The objective is to provide dealers with a full range of support programmes within a consistent, managed framework, whilst gaining the full benefits that come from entrepreneurial businesses.

Mobile Phone Centre Limited (MPC), in which Vodafone raised its share from 45% to 100% during the year, offers a franchise brand to selected dealers. By the year end 64 shops were operating under this banner.

Vodafone Connect has established relationships with key High Street retailers for the distribution of the Group's new "Pay As You Talk" product.

Vodafone Corporate

At March 31, 1998 Vodafone Corporate had 297,000 Vodafone customers, accounting for approximately 9% of Vodafone's customer base at that date.

Vodafone Corporate supplies cellular services, telephones and related equipment to major corporate accounts.

During the year Vodafone Corporate implemented a new customer and administration billing system which will be used for all customers within Vodafone Distribution and has developed a new sales strategy to bring greater focus on key accounts and to target major corporate accounts through a direct sales force. An enhanced range of products and services is being developed, including those that will result from the commercial relationships established for the supply of fixed line services with Energis and Racal Telecom.

Other UK Service Providers

Vodafone Group has strategic investments of 20% in Martin Dawes Telecommunications Limited and 20% in Mobile Telecom PLC. In April 1997, Vodafone Group disposed of its 16% interest in Cellphones Direct (Holdings) Limited to Martin Dawes Telecommunications Limited, an associated company.

UK Data Group

Vodafone Value Added Services

Vodafone Value Added Services Limited ("VVAS"), formerly Vodata Limited, commenced commercial operations in May 1985. It supplies value-added services to both mobile and fixed telephone customers. Its service offering includes call completion services, information provision, "FollowMe" services, text messaging and data services for mobile applications. The call completion service is provided to subscribers to the Vodafone networks and is known as "Recall". This receives diverted unanswered calls, digitally records them and subsequently alerts the user with a voice or text announcement. Enhancements to the voice announcement process mean users now have their messages played back to them without requiring manual intervention. VVAS's information provision services consist of a range of premium rate telephone services offering voice or facsimile services for a number of customers. The "FollowMe" services, launched in 1997, provide a single telephone point of contact for customers who then route the call to a specific destination, be it a fixed or mobile phone. The text messaging services which exploit the digital cellular Short Message Service (SMS) are operated on behalf of Vodafone Limited. During the last year, VVAS developed and launched a new service known as "Data Direct". This comprises managed data and text messaging services for large corporate customers, including real-time network monitoring tools using the Vodafone digital network.

VVAS's marketing is mainly directed towards Vodafone's service providers who promote VVAS's services as part of a comprehensive cellular telecommunications package. The service providers retain a proportion of the fees paid by customers for VVAS's services. This is in addition to any enhancement in end user revenue brought about by the company's products increasing overall usage on the Vodafone networks. Marketing for information services is directed at third party information providers who provide the necessary information and promote the telephone numbers required for access for a proportion of the call revenue and other service fees. The "FollowMe" services are marketed by VVAS to specialist independent service providers who promote and distribute the service in return for a share of access and other revenues. "Data Direct" has a team of dedicated sales people who market and promote the service to the ultimate end user and third party data solution providers. Typically the customer will also have a relationship with one or more service providers who will bill for voice services but "Data Direct" will bill for data and text traffic together with other data related service fees.

Demand for the "Recall" service continues to be strong with growth in both customers and usage. The customer base was approximately two million at March 31, 1998, a doubling of the base since February 1997. The "FollowMe" services have some 30,000 customers connected to its main product line which is known as 07000. "Data Direct", in the period since its launch, has contracts with several major organisations including British Gas, who use it for the scheduling of their service engineers. Data traffic now exceeds two million minutes per month. Text messaging is also growing strongly with over one million messages being processed per week.

VVAS faces competition from value added service providers as well as BT and Cable and Wireless Communications. Vodafone customers often use many of VVAS's services and growth opportunities for such services lie primarily in the growth in the number of Vodafone's customers.

Vodafone Paging

On June 30, 1997, the paging businesses previously operated by Vodapage and Air Call were combined and were operated as one by Vodafone Paging Limited (formerly Air Call Communications Limited). The company operates a wide-area radiopaging service in the UK under a 25 year license. A wide-area radiopaging service, by contrast to an in-house or local service, may be accessed by the public generally and permits customers to be contacted from the public switched telephone network. The network is a broadcast system.

In September 1996, a nationwide calling party pays ("CPP") paging service, "Zap!", was launched. Customers purchase either a numeric or alphanumeric pager and use it free of rental or call costs. Calls to these pagers are charged at premium rates.

At March 31, 1998, Vodafone Paging supplied service to almost 400,000 customers (compared to almost 250,000 at March 31, 1997) with the growth being primarily derived from the consumer CPP paging market sector. Vodafone Paging's service is currently available in an area covering approximately 98% of the UK population, providing service to tone pagers, numeric pagers and alphanumeric pagers.

Vodafone Paging's principal competitor is BT, which, primarily due to its early entry into this market, had a dominant share of the UK wide-area paging market at March 31, 1998. Page One Communications Limited and Hutchison Paging (UK) Limited also operate national wide-area radiopaging services in the UK.

Vodafone Data Network

Vodafone Data Network Limited ("VDL"), formerly Paknet Limited, was formed in April 1989 and commenced operating commercial service in February 1990. VDL operates a public radio based data communications network in the UK under a 24 year license issued on March 29, 1993. The data network uses radio as the transmission path between the customer's terminal and a network base station and operates using the International Telecommunications Union (ITU) X.25 data standard. Applications include security (burglar alarm signalling), telemetry and credit or charge card transactions.

VDL markets its services directly to the end user as well as via independent installers and solution providers. The vast majority of terminals supplied to customers are rented. However, in certain circumstances terminals are sold to third parties for incorporation in their equipment which is subsequently sold to the end user. This is primarily in the security industry.

VDL's principal competitors are three other radio data networks in the UK and cellular networks with data transmission facilities. However, as the majority of installations are for static applications, it also faces competition from fixed data network providers, including BT. At March 31, 1998 VDL had 62,000 customers. Net growth during the year to March 31, 1998 was 17,000.

INTERNATIONAL

Vodafone Group's overseas interests continued to expand in the financial year ended March 31, 1998 and its share of customers connected to its overseas networks at the end of March 1998 was over 2,414,000, representing an increase of 1,265,000 during the financial year. Vodafone Group's overseas customers now represent over 41% of the Group's total, up from 28% a year earlier. This trend is expected to continue due to the relative underpenetration of cellular telephony in many overseas markets and the growth opportunities which this presents.

It is the Vodafone Group's objective to continue to invest in selected new license opportunities and to increase, when appropriate, the level of its shareholdings in non-UK businesses, changing their status from investments to associates and then to subsidiaries.

CONTINENTAL EUROPE

Société Française du Radiotéléphone SA (SFR) (France)

In December 1997, the Group exercised an option to increase its shareholding in SFR from 16.1% to 20%. Since that date, the Group has accounted for SFR as an associated company.

SFR is one of two operators of both analog and GSM 900 MHz networks in France. A third digital network, operating DCS 1800 technology, opened commercial service in 1996. Following record customer growth a year earlier, the French cellular market demonstrated a further acceleration in overall customer numbers in the year to March 1998. At the year end, cellular penetration was over 11%, having more than doubled in the year. SFR had 2,527,000 customers at March 31, 1998, an increase of 1,397,000 in the financial year.

Vodafone SA (France)

Vodafone SA is a wholly owned subsidiary of Vodafone Group and acts as a service provider to both the SFR and Itineris (France Télécom) GSM and analog networks.

At March 31, 1998, the digital customer base of Vodafone SA was 257,000, an increase of approximately 91,000 in the year.

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

The Group has a shareholding of 17.2% in E-Plus, the third cellular operator to be licensed in Germany.

E-Plus was granted a 20 year license in December 1992 to operate a DCS1800 cellular network using GSM technology throughout Germany. The E-Plus network opened for commercial service in May 1994 and now offers service to approximately 98% of the German population. The company is continuing to extend the network to increase both national coverage and capacity in urban areas. The German market grew strongly throughout the financial year; E-Plus improved its market share and more than doubled its customer base. At March 31, 1998, E-Plus had 1,227,000 customers, representing an increase of 681,000 in the year.

Panafon SA (Panafon) (Greece)

At March 31, 1998, the Group had a shareholding of 55% in Panafon, one of two operators utilising GSM 900 technology in Greece. The Group increased its interest in Panafon by 10% to 55% in February 1997. A third cellular network operator, using DCS1800 technology, commenced service early in 1998.

Panafon's GSM commercial service commenced in July 1993 under a twenty year license granted in 1992 and network coverage is now substantially complete for commercial purposes; all major conurbations and interconnecting highways, together with the principal islands and tourist destinations, have service. Future capital investment will be targeted principally at increasing capacity in urban areas where usage is particularly high.

The Greek cellular market continued to grow strongly in the last year and Panafon maintained its market leadership position. At March 31, 1998, it had over 623,000 customers, representing an increase of 257,000 in the year. Included in the closing customer base were 104,000 prepaid customers.

The shareholders of Panafon are considering an Initial Public Offering (IPO) of a minority stake in the company later in the 1998/99 financial year. In the event of an IPO, Panafon will remain a subsidiary of the Group.

Panavox SA (Panavox) (Greece)

The Group has a 55% shareholding in Panavox, a service provider which retails airtime and services on the Panafon network. Panavox had approximately 128,000 customers at March 31, 1998, compared with 95,000 at March 31, 1997.

Libertel BV (Libertel) (Netherlands)

In January 1998, the Group increased its ownership interest in Libertel BV to 61.5%, and in March 1998 it increased again to 70%. Libertel operates one of two GSM networks in the Netherlands under a twenty year license awarded in 1995.

Network coverage is effectively complete and further capital expenditure will principally be made to increase capacity. Libertel has also embarked on a program of expanding its distribution network.

Libertel had 629,000 customers at March 31, 1998, an increase of 354,000 in the year. Libertel launched a prepaid service at the end of 1997 which has been highly successful in its first few months, with 90,000 prepaid customers at the end of March 1998.

Early in 1998, the Dutch government auctioned blocks of frequency in the 1800 MHz band, sufficient to operate up to three more cellular networks

Libertel Verkoop en Services BV (Libertel Services) (Netherlands)

The Group increased its shareholding in Libertel Verkoop en Services BV (formerly Liberfone BV) in line with that in Libertel and at March 31, 1998 had a 70% interest. Libertel Services is the principal service provider to Libertel which retails airtime and services on the Libertel network. At March 31, 1998, Libertel Services had over 233,000 customers.

Europolitan Holdings AB (Europolitan) (Sweden)

At March 31, 1998, the Group had a shareholding of 20% in Europolitan, which operates one of three GSM networks in Sweden. Europolitan's stock is listed on the Stockholm Stock Exchange. At March 31, 1998, Europolitan had 472,000 customers, an increase of 61% in the year.

Vodafone Malta Limited (Vodafone Malta) (Malta)

Vodafone Malta (formerly Telecell Limited), in which the Group has an 80% interest, is the sole cellular network operator in Malta and increased its customer base from 15,000 at March 31, 1997 to over 18,000 at March 31, 1998.

In addition to its existing analog network, Telecell opened service on its GSM network in July 1997.

PACIFIC RIM

Vodafone Network Pty Ltd (Vodafone Network Pty) (Australia)

In March 1998, the Group increased its shareholding in Vodafone Network Pty (formerly Vodafone Pty Limited) from 90% to 91%. Vodafone Network Pty is the last of three GSM 900 network operators to have been licensed in Australia and operates under a 25 year license issued in December 1992. At March 31, 1998, Vodafone Network Pty offered service to approximately 90% of the population.

Vodafone Network Pty's competitors also operate an analog network to which approximately two million customers subscribe and which is scheduled to be closed progressively up to 2000. Some residual analog service in remote areas may be permitted beyond that date, but migration of substantially all of the analog customer base to digital service is anticipated before 2000. Vodafone Network Pty is well positioned with a high quality, high capacity, GSM digital network to take its share of those analog customers who are obliged to migrate as a result of the network closure.

Vodafone Network Pty enjoyed a year of record customer growth and had more than 545,000 customers at March 31, 1998, representing an increase of 271,000 in the year.

Vodafone Pty Limited (Vodafone Pty) (Australia)

In March 1998, a new distribution company, Vodafone Pty, was created with the intention of rationalising the branding and future distribution activities of Vodafone Network Pty's in house service providers Vodac Pty Ltd, Vodacall Pty Ltd and Talkland Retail Australia Limited. The Group has a 91% shareholding in Vodafone Pty.

The Australian retail business of Talkland Retail, a UK service provider, was transferred into the control of Vodafone Pty in March 1998 and the ongoing commercial operations of Vodac Pty and Vodacall Pty were taken over by Vodafone Pty in April 1998. These activities will facilitate the rationalisation of billing, administration and customer care systems under a single management team and are expected to generate significant operational efficiencies and cost savings in future. The combined distribution operation now functioning as Vodafone Pty had 149 retail outlets at March 31, 1998.

At March 31, 1998, the combined customer bases of Vodac Pty, Vodacall Pty and Vodafone Pty were 340,000, representing an increase of over 170,000 in the year.

Pacific Link Communications Limited (Pacific Link) (Hong Kong)

The Group disposed of its 35% shareholding Pacific Link at a profit in December 1997.

Vodafone Fiji Limited (Fiji)

In July 1993, Vodafone Group signed a joint venture agreement with the Fijian PTO to install and operate the GSM digital cellular network in Fiji. Commercial service commenced in July 1994 and the company now has more than 5,000 customers. Vodafone Group has a 49% interest in Vodafone Fiji Limited.

REST OF THE WORLD

Vodacom Pty Limited (Vodacom Pty) (South Africa)

The Group has a 31.5% interest in Vodacom Pty, one of two GSM networks operating in the Republic of South Africa under a 15 year license granted in August 1993. Vodacom Pty also operates an analog NMT network, which was acquired from Telkom, the local PTO. Customers at March 31, 1998, totalled 979,000, representing an increase of approximately 77% over the previous year.

Vodacom Pty introduced the 'VodaGo' prepaid service late in 1996. This offers cellular service to the large segment of potential customers from previously disadvantaged communities. Sales of the 'VodaGo' product have far exceeded expectations and, at March 31, 1998 there were 262,000 customers connected to this service, representing 27% of the total customer base.

Vodacom Pty's parent company, Vodacom Group Pty Limited, has a 25% interest in Teljoy Cellular Services Limited ("Teljoy"), an independent service provider in South Africa. This interest reduced from 35% in the year on the exercise of an option by Teljoy's parent company. Teljoy specialises in the retail sector and, at March 31, 1998, had approximately 167,000 customers on the Vodacom Pty network.

Vodac Pty Limited (Vodac Pty) (South Africa)

Vodac Pty is a wholly owned service provider of Vodacom Group which retails airtime and services on the Vodacom network and had over 241,000 customers at March 31, 1998.

Celtel Limited (Celtel) (Uganda)

Celtel, in which the Vodafone Group has a 36.8% shareholding, is the sole operational GSM network operator in Uganda and almost doubled its customer base in the year, closing at over 6,800 customers. A second GSM network was licensed in April 1998 but has not yet commenced service.

Globalstar LP (Globalstar) (US)

Vodafone Group reduced its interest in fiscal 1998 in the Globalstar partnership which is developing a worldwide digital telecommunications service based on a constellation of low-earth orbit satellites from 6.1% to 5.2% (on a fully diluted basis) generating a profit of £11.3m. On July 7, 1998 the Group announced the sale of an additional 2.1% interest in the Globalstar partnership, reducing its interest to 3.1%, (on a fully diluted basis), for a consideration of US$117 million.

Globalstar has launched the first eight satellites and plans to have launched forty four by the end of 1998. The complete constellation of forty eight satellites (plus eight in-orbit spare satellites) is expected to be deployed early in 1999, prior to the commencement of full commercial service, planned for the middle of 1999. Dual-mode handsets will provide direct access to both satellite and terrestrial networks and will automatically switch to the satellite based service when outside terrestrial coverage.

Egypt

In March 1998, the Misrfone consortium in which the Group has a 30% interest, was awarded a license to operate Egypt's second GSM network. The new network is expected to open for service later in the 1998/99 financial year.

Employees

During the year ended March 31,1998, Vodafone Group had an average of 9,640 full time employees. See Note 29 of Notes to Consolidated Financial Statements for an analysis of employees by category of activity. Vodafone Group considers its relations with its employees to be good.

Regulation

UK — General

The principal legislation governing the provision of telecommunications services in the UK is the Telecommunications Act 1984 (the "Telecommunications Act"). In order to operate a telecommunication system in the UK, a license must generally be obtained under the Telecommunications Act. The Secretary of State, after consultation with the Director General, may grant such licenses, which may be granted to all persons (a "general license"), to a class of persons (a "class license") or to a particular person (a "special license"). Telecommunications systems which involve the use of wireless telegraphy must also be licensed under the Wireless Telegraphy Act 1998 (the "Wireless Telegraphy Act"), pursuant to which the operator is allocated radio frequencies. Spectrum is now to be charged at market rates rather than on a cost recovery basis. It is anticipated that this will cause annual spectrum fees to increase to approximately £15 million by 2001.

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

The Director General, who is supported by Oftel, is responsible for enforcing license conditions and may make orders, enforceable in the courts, to secure compliance. Contravention of an order can result in civil action and in a liability for damages to third parties. The Director General is also responsible for monitoring telecommunications activities, investigating complaints about services or apparatus and exercising certain functions under the Fair Trading Act 1973 and the Competition Act 1980 relating to monopolies, restrictive practices and anti-competitive behaviour.

The Director General may modify license conditions with the licensee's consent and must impose modifications if, following a reference by him to the MMC, the MMC considers any matter so referred to operate against the public interest and recommends a modification. In either case, the Telecommunications Act provides for prior notification to persons likely to be affected by any modification and for consideration by the Director General of any representations or objections made by such persons.

Under the Telecommunications Act, it is an offense, inter alia, to run an unauthorized system, to connect any unauthorized system or apparatus to an authorized system or to provide any unauthorized telecommunication services.

Vodafone Group companies may provide certain telecommunication services under various class licenses and, in addition, certain Vodafone Group companies have been granted special licenses under the Telecommunications Act.

Vodafone

Telecommunications Act License

By a license granted to Vodafone on December 9, 1993, Vodafone is licensed, subject to conditions, to run telecommunications systems of every description in the United Kingdom, which includes cellular telecommunications systems, personal telecommunications networks and fixed telecommunication systems. The license does not specify the technology to be used and therefore permits Vodafone to run both digital and analog cellular networks. The license authorizes Vodafone to provide telecommunications services (including mobile and fixed telephone services) but excludes broadcasting services, certain international telecommunications services and certain telepoint services. International services can be authorized in certain cases by the Secretary of State on a country by country basis. A supplementary license was issued to Vodafone on December 20, 1996 which permits Vodafone to own and operate international network facilities.

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

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

The Director General referred Vodafone's interconnect charges to the MMC on March 5, 1998. The MMC is considering whether these charges operate against the public interest and is to report on this matter by December 1998.

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

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

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

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

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

The Government is in the process of implementing various European Directives which affect telecommunications. The interconnect directive was implemented by Statutory Instrument on December 31, 1997 and modified Vodafone's license by requiring publication of, and non discrimination, in interconnect agreements. Further European Directives will be implemented throughout the 1998 calendar year.

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

Wireless Telegraphy Act license

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

Vodafone Paging and Air Call

Telecommunications Act license

Under its Telecommunications Act license, Vodafone Paging is permitted to run a national radiopaging system and was required to offer radiopaging services over an area in which 40% of the UK population lives by April 1990, and over an area in which 80% lives by October 1992. These targets have been met. Vodafone Paging is also required to ensure that reasonable demands for such services in the covered area are capable of being met. Air Call has a similar license, under which it operates. The London Pager radiopaging system which Air Call purchased in March 1997 is operated under the Air Call license.

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

Wireless Telegraphy Act license

Pursuant to their Wireless Telegraphy Act licenses, Vodafone Paging and Air Call are allocated certain frequencies on which to operate radiopaging services. The Vodafone Paging license was granted on October 1, 1987 and is renewable yearly on payment of a fee. Air Call's license was granted on October 25, 1991. Either can be revoked or modified at any time upon notice to the operator.

Vodafone Value Added Services

Vodafone Value Added Services ("VVAS") is authorised to run its telecommunications systems and to provide its telecommunications services under various class licenses, each having a specified duration. Each of these class licenses may be revoked in a number of different circumstances including: failure of VVAS to comply with an order of the Director General or conviction of VVAS for an offence under the Telecommunications Act of connecting any unauthorised system or apparatus or providing any unauthorised service. In addition, some of the licenses can be revoked if certain events occur in relation to the insolvency of VVAS, if VVAS consents to the revocation or upon 30 days notice if the revocation is in respect of all licensees and not just VVAS.

Vodafone Data Network

Telecommunications Act license

Vodafone Data Network is permitted under its Telecommunications Act license to run a packet-radio system and to provide packet-radio services within the United Kingdom. Vodafone Data Network is obliged to provide packet-radio services in an area in which at least 40% of the UK population lives by not later than 30 months from the date of the license and at least 80% not later than five years from the date of the license. These obligations have already been met.

The current license is for a period of 24 years from March 19, 1993 and may be revoked upon 30 days' notice in circumstances similar to those for revocation of Vodafone Paging's Telecommunications Act license.

Wireless Telegraphy Act license

Vodafone Data Network was granted a Wireless Telegraphy Act license on April 1, 1993.

Overseas regulation

In developing and operating its business internationally, the Group must take account of the regulatory regimes in the countries in which it operates. The Directors believe that the Group is in material compliance with all such regulatory regimes under which it conducts its operations. A description of the regulatory framework in Australia, Holland and Greece, the countries in which the Group's most significant international subsidiaries operate, are set out below.

Australia

The Australian telecommunications market is regulated by the Telecommunications Act 1997, the Trade Practices Act 1974, the Radiocommunications Act 1992 and the Australian Communications Authority Act 1997. There are two regulatory agencies — (i) the Australian Communications Authority ("the ACA"); and (ii) the Australian Competition and Consumer Commission ("the ACCC").

Vodafone Network Pty Limited ("Vodafone Network Pty") was granted a public mobile telecommunications service license in December 1992 for a period of 25 years, together with rights to use radiocommunications spectrum. As part of the establishment of a GSM system, Vodafone Network Pty had an obligation to construct a network covering at least 80% of the population of Australia by December 31, 1996 and to procure in excess of 60% of value of all capital expenditure with Australian suppliers until June 30, 1997. These obligations have been met and Vodafone Network Pty no longer has a network rollout license condition, as its network coverage now exceeds 90% of the population.

On August 14, 1997 the Australian Government removed a requirement that the proportion of Vodafone Network Pty's issued share capital held by foreign persons should be reduced below 50% by July 2003. The Government no longer considers it necessary to constrain foreign investment in Vodafone Network Pty, which is now only subject to the generally applicable provisions of foreign investment policy — essentially the application of the "contrary to the national interest" test under the Foreign Acquisitions and Take overs Act 1975.

The regulatory regime has the following key features:—

- there is no limit on the number of operators licensed to supply telecommunications services;
- Vodafone Network Pty can now supply an unrestricted range of telecommunications services;
- there is a greater reliance on industry self regulation (Vodafone Network Pty has been centrally involved in the establishment of the new industry bodies);
- the ACCC is responsible for regulating competitive behaviour and access to facilities and services;
- the ACA is responsible for technical regulation (including all radiofrequency management matters) and the development of industry codes of conduct;
- all service providers will be subject to regulation relating to the quality of service provided to customers and meeting industry standards;
- all telecommunications licensees must have plans for the development of Australian industry, including a commitment to research and development; and
- confirmation of the closure of the analog system used by Vodafone Network Pty's competitors (with some possible exceptions in rural areas) by January 2000.

Vodafone Network Pty recently acquired additional spectrum in the 1800 Mhz band in all major metropolitan areas.

On July 1, 1998 the Government announced that it had asked carriers to nominate which analog sites they require to be closed after December 1999, and that it reserved its right to impose new GSM rollout obligations on carriers in those areas. This matter is yet to be resolved.

The Netherlands

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

This license was effective from March 15, 1995 and was awarded to Libertel BV, formerly MT-2 Mobile Communications B.V., for a period of 15 years and established certain obligations which Libertel B.V. was obliged to meet. All requirements have to date been complied with.

In 1997 a new telecommunications regulator was established, the Independent Post and Telecommunication Authority, (the 'OPTA'), which since August 1, 1997, has been responsible for regulating competitive behaviour between operators, dispute settlement and the administration and issuance of telephone numbers. All radio frequency management matters have remained under the control of the Radiocommunications Agency.

A new Telecommunication Act is currently being prepared and is expected to be effective from the first quarter of 1999.

Greece

The Greek Telecommunications market is generally governed by European Community law and at a national level by Law 2246/1994 which is currently under revision. This is accompanied by a number of Presidential Decrees and ministerial decisions which were issued under that Law, mainly implementing European regulations on telecommunication matters. Currently, Greece is under scrutiny from the European Commission for non-implementation of liberalisation and harmonisation Directives such as 96/2 of the European Council (mobile Directive) and Directive 97/13 of the European Parliament and Council (licensing Directive). However, on May 6, 1997 the European Commission awarded Greece a supplementary period for the full liberalisation of the telecommunications sector and notably voice telephony, according to the provisions of Directive 96/19 of the European Commission (full liberalisation Directive).

Under the existing legal framework, licenses for the operation of telecommunication activities are granted by the Minister of Telecommunications. The established National Telecommunication Committee (E.E.T) has been mostly granted with consultancy powers in relation to the telecommunication market and to a lesser extent regulatory powers in areas such as number assignment.

Panafon was awarded a 20 year license to operate a GSM network on August 4, 1992 by a ministerial decision granting to it special rights and, in consideration thereof, Panafon was required to pay GRD 31 billion (ECU 116 million) as a license fee and was bound to perform specific obligations. An issue has arisen as to whether certain specific rights particularly in relation to interconnection fees and exclusivity rights continue to remain in force after the latest changes of European Law. Under the license, Panafon was granted two 10 Mhz bands of GSM spectrum and was permitted to establish and operate its own transmission network using microwave transmission systems in the 2, 4, 6, 11, 15 and 18 Ghz bands. Panafon was also required to provide services to some 10,000 users in the first eighteen months of operation, while the final requirement is to provide services to 85% of the population and to cover 75% of selected major roads within Greece. To date, and at all times during the operation of Panafon, all license obligations have been complied with.

The Government currently plans to define a new regulatory framework which will probably contain provisions regarding universal service obligations, interconnection issues and issuance of special licenses with the purpose, inter alia, to implement above Directives. The Greek legal environment will, thereafter, conform with the liberalisation of telecommunications activities as required and applied by EU Law and practice. It seems probable that under the planned legal regime, the Ministry of Transport and Telecommunications will be responsible for licensing and allocation and assignment of spectrum, the regulatory authority (EET) will be responsible for supervising the telecommunications market and other competition issues will be dealt with by the National Competition Authority.

ITEM 2. DESCRIPTION OF PROPERTY

The properties of the Vodafone Group comprise MTXs, operator centers and ancillary commercial centers suitable for the operation of its cellular networks and related businesses together with related accommodation including retail premises. The properties are principally in the UK, Australia, Greece and the Netherlands are either freehold or held under long-term or short-term leases. As at March 31, 1998, these properties were included in the Consolidated Balance Sheet at a net book value of £57.6 million. Approximately 23% by value of the Group's properties were owned and approximately 5% were held under leases running for 50 years or longer.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which Vodafone Group is a party or to which any of its property is subject.

ITEM 4. CONTROL OF REGISTRANT

The following table sets forth certain information as of July 1, 1998, with respect to (i) any person who is known to the Company to be the owner of more than 10% of the Company's Ordinary Shares and (ii) the total amount of Ordinary Shares owned by the officers and directors of the Company as a group (11 holders).

Title of Class	Identify of Person or Group	Shares Owned	Percentage of Class
Ordinary Shares	BNY (Nominees) Limited…………………………………………………………..	417,183,290	13.52%
Ordinary Shares	Officers and directors as a group……………………………………………………	2,128,973	0.069%

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* Acting as the nominee for the custodian of the Company's ADR program.

In addition, the officers and directors of the Company as a group held, at July 1, 1998 options to purchase 2,243,200 Ordinary Shares, all of which were issued pursuant to the Company's Share Option Schemes (see Item 12 "Options to Purchase Securities from Registrant or Subsidiaries").

There is no person known to the Company who owns more than 10% of the Ordinary Shares of the Company other than as set forth above.

ITEM 5. NATURE OF TRADING MARKET

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

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

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

	London Stock Exchange			NYSE		
Fiscal Year	Pounds Ordinary High	Per Share Low	Trading Volume (Millions)	U.S. Dollars High	Per ADS Low	Trading Volume (Millions)
1995 / 1996						
First Quarter	2.40	1.83	434.1	39.63	29.63	89.8
Second Quarter ..	2.80	2.31	407.9	45.00	37.38	21.6
Third Quarter.....	2.74	2.08	616.6	43.25	30.38	130.4
Fourth Quarter ...	2.52	2.12	535.4	38.50	32.60	25.0
1996 / 1997						
First Quarter	2.67	2.35	445.3	40.38	36.25	28.8
Second Quarter ..	2.50	2.19	420.8	38.88	34.00	19.7
Third Quarter.....	2.58	2.22	431.3	43.13	34.75	37.7
Fourth Quarter ...	2.99	2.47	485.6	48.25	42.10	14.2
1997 / 1998						
First Quarter	3.03	2.66	437.5	49.63	43.38	19.8
Second Quarter ..	3.34	2.90	486.1	53.81	48.63	8.3
Third Quarter.....	4.50	3.23	543.9	73.69	54.25	10.8
Fourth Quarter ...	6.25	4.29	559.6	103.88	68.56	12.5

At July 1, 1998, approximately 42 million ADSs (equivalent to approximately 420 million Ordinary Shares of the Company or approximately 14% of the total outstanding Ordinary Shares) were outstanding and held on record by 731 registered holders.

ITEM 6. EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

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

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

ITEM 7. TAXATION

The following is a summary of the principal US federal and UK tax consequences to beneficial owners of ADSs who are residents of the United States ("US Holders") of the purchase and ownership of ADSs and is not a complete analysis or listing of all of the possible tax consequences of such purchase or ownership. Prospective investors are advised to consult their tax advisors with respect to the tax consequences of the purchase and ownership of ADSs, including specifically the consequences under state and local tax laws. The statements regarding US and UK tax laws set out below are based on those laws in force on the date of this Annual Report and take account of provisions enacted in the Finance (No 2) Act 1997 which received Royal Assent on July 31, 1997. This introduced substantial changes, with effect from April 6, 1999, for US holders and these are summarised below.

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

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

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

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

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

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

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

Taxation of dividends paid after April 5, 1999

An individual shareholder resident in the United Kingdom who receives an ordinary dividend paid after April 5, 1999 will be entitled to a reduced tax credit of one ninth of the net payment. From this date, the Treaty payment due to an individual resident in the US will be reduced to zero. This is because, as described above, the Treaty payment equals the tax credit less withholding tax at a rate of 15% of the aggregate of the net dividend and tax credit. Since the tax credit will be reduced the withholding tax would exceed the tax credit. For example, for a net dividend of 80p to a UK holder, the tax credit of 9p would be less than the withholding tax of 13p and therefore no Treaty payment would be made.

Arrangements for payment of refunds

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

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

Dividends and amounts in respect of the UK tax credit (including any related withholding tax pre April 6, 1999) paid to a US Holder generally will be ordinary income to the holder for US federal income tax purposes, but will not be eligible for the dividends received deduction allowed to corporations. Subject to certain limitations, the applicable UK withholding tax will be treated as a foreign income tax eligible for credit against such holder’s US federal income tax liability. The amount of the dividend will be the dollar value, determined at the spot pound sterling/US dollar exchange rate, of the payment on the date thereof regardless of whether the payment is in fact converted into dollars. Pounds sterling received as dividends will have a tax basis equal to their dollar value at the time recognized as income. Gain or loss, if any, realized on a subsequent sale or other disposition of the pounds sterling will be ordinary income or loss.

Taxation of capital gains

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

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

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

Inheritance tax

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

UK Stamp Duty and Stamp Duty Reserve Tax

Stamp Duty will, subject to certain exceptions, be payable at the rate of 1 ½% on any instrument transferring Ordinary Shares to the Custodian of the Depositary on the value of such Ordinary Shares. In accordance with the terms of the Deposit Agreement, any tax or duty payable by the Depositary or the Custodian of the Depositary on deposits of Ordinary Shares will be charged by the Depositary to the party to whom ADRs are delivered against such deposits.

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

Stamp Duty Reserve Tax will be payable on any agreement to transfer Ordinary Shares or any interest therein unless an instrument transferring the Ordinary Shares or that interest is executed and stamped within two months of the date on which the agreement is made, or, where the agreement is conditional, within two months of the day on which the condition is satisfied. Stamp Duty Reserve Tax will generally be payable at the rate of ½%, but will be payable at a maximum rate of 1 ½% in the case of a transfer into a depositary receipt facility (such as established under the Deposit Agreement) or to a nominee for a clearance service. Except as set forth above, Stamp Duty Reserve Tax or Stamp Duty will not be payable in connection with any transfer of or on any agreement to transfer ADRs or Ordinary Shares or any interest therein. There are legislative provisions in place to abolish Stamp Duty and Stamp Duty Reserve Tax in the above circumstances at a date in the future which is to be determined.

Backup withholding

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

ITEM 8. SELECTED FINANCIAL DATA

The selected consolidated financial data set out on the following pages should be read in conjunction with the Consolidated Financial Statements of Vodafone Group for the three years ended March 31, 1998, which appear elsewhere in this Annual Report. The UK statutory financial statements of Vodafone Group for the year ended March 31, 1998 will be delivered to the United Kingdom's Registrar of Companies. The selected consolidated financial data for the five years ended March 31, 1998 are derived from the Consolidated Financial Statements of Vodafone Group.

Consolidated profit and loss account data:

	Year ended March 31,					
	1998	**1998**	**1997**	**1996**	**1995**	**1994**
	$m	**£m**	**£m**	**£m**	**£m**	**£m**
Amounts in accordance with UK GAAP (1)			(Except per Ordinary Share and per ADS data)			
Turnover	4,142.5	2,470.8	1,749.0	1,402.2	1,152.6	850.5
Profit for the financial year	702.1	418.8	363.8	309.8	237.4	245.0
Earnings per Ordinary Share (2)	0.23	0.14	0.12	0.10	0.08	0.08
Earnings per ADS (2)	2.28	1.36	1.19	1.02	0.78	0.81
Cash dividends per Ordinary Share (3)	0.10	0.06	0.05	0.04	0.03	0.03
Cash dividends per ADS (3)	0.92	0.55	0.48	0.40	0.33	0.28
Approximate amounts in accordance with US GAAP (1)						
Profit for the financial year	627.4	374.2	342.2	293.7	203.3	234.9
Earnings per Share (2)	0.205	0.122	0.112	0.096	0.067	0.078
Diluted earnings per Share	0.203	0.121	0.112	0.096	0.067	0.078
Earnings per ADS (2)	2.042	1.218	1.118	0.962	0.668	0.778

Consolidated balance sheet data:

	At March 31,					
	1998	**1998**	**1997**	**1996**	**1995**	**1994**
	$m	**£m**	**£m**	**£m**	**£m**	**£m**
Amounts in accordance with UK GAAP (1)						
Total assets	4,195.3	2,502.3	2,421.8	1,763.4	1,409.5	1,053.9
Long term debt	1,078.4	643.2	522.9	140.0	140.0	1.9
Approximate amounts in accordance with US GAAP (1)						
Total assets	6,750.0	4,026.0	3,019.2	2,001.2	1,662.9	1,278.5
Long term obligations	1,093.1	652.0	522.9	140.0	140.0	1.9

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

(2) Earnings per Ordinary Share is calculated under UK GAAP and under US GAAP by dividing net income in each case by 3,020,692,956, 3,043,774,906, 3,052,281,614, 3,060,400,713 and 3,073,032,493, the approximate weighted average number of Ordinary Shares outstanding at March 31, 1994, 1995, 1996, 1997 and 1998 respectively. See Note 9 of Notes to Consolidated Financial Statements. Earnings per ADS is calculated by multiplying earnings per Ordinary Share by 10, the number of Ordinary Shares per ADS.

(3) Cash dividends are set out below:

	Dividends	
Year	**Interim**	**Final**
	£m	**£m**
1994..	41.5	42.9
1995..	49.9	51.8
1996..	60.2	62.4
1997..	72.2	75.3
1998..	83.4	86.9

Dividends

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

	Pounds Per Ordinary Share			Translated into US dollars Per Ordinary Share		
Years ended March 31	Interim	Final	Total	Interim	Final	Total
1994	0.014	0.014	0.028	0.021	0.021	0.042
1995	0.016	0.017	0.033	0.026	0.028	0.054
1996	0.020	0.020	0.040	0.031	0.032	0.063
1997	0.024	0.024	0.048	0.039	0.039	0.078
1998	0.027	0.028*	0.055	0.044	**	**

* Proposed dividend will be payable on August 14, 1998 to holders of record as of June 12, 1998 following approval at the Annual General Meeting.

**The final dividend will be payable in US dollars to ADR holders under the terms of the deposit agreement.

The directors expect, in respect of each fiscal year, to declare an interim dividend and recommend a final dividend payable to all shareholders. These will normally be payable in February and August, respectively.

Future dividends will be dependent upon Vodafone Group's cash flow, earnings, financial condition and capital expenditure requirements and such other factors as the directors may consider relevant.

Taxation of dividends

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

Exchange rates

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

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

Years ended March 31	Period end	Average*	High	Low
1994	1.49	1.50	1.59	1.46
1995	1.62	1.56	1.64	1.46
1996	1.53	1.56	1.62	1.50
1997	1.64	1.60	1.71	1.49
1998	1.68	1.65	1.70	1.58

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

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

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

Results of Operations

	Year ended March 31		
	1998	**1997**	**1996**
	£m	**£m**	**£m**
Income and expenses items			
Sales	2,471	1,749	1,402
Selling, distribution and administrative expenses	1,844	1,254	953
Total Group operating profit	686	539	476
Net interest expense	61	26	8
Profit for the financial year	419	364	310
Operating profit as a percentage of sales	27.8%	30.8%	34.0%

Fiscal 1998 compared to Fiscal 1997

Turnover

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

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

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

In 1998 turnover from international operations increased by £429 million to £699.1 million and represented 28% of the Group's total turnover, compared to 15% in 1997. The increase was due to the acquisition of a controlling interest in the Dutch network operator Libertel and its primary service provider in January 1998, the continuing impact of the consolidation of Panafon of Greece, a majority interest in which was acquired in February 1997, and strong turnover growth in Australia where Vodafone Network Pty's customer base grew by 99%.

Operating costs

Cost of sales has increased from £916.5 million in 1997 to £1,264.8 million in 1998 representing 51.2% of turnover in 1998, down from 52.4%. Vodafone Group's cost of sales consists primarily of financial incentives to service providers and dealers, payments to BT and Cable & Wireless Communications for delivering calls outside the Vodafone networks and for providing landline or microwave links, depreciation of network infrastructure, costs of customer equipment sold by service providers, and network operating costs. A proportion of the increase is due to the impact of the consolidation of Panafon, which was acquired in February 1997, for a full twelve months in fiscal 1998. Vodafone Group's cost of sales as a proportion of turnover decreased in 1998 due primarily to a reduction in the cost of customer equipment and a fall in the level of payments of financial incentives to service providers in relation to turnover, offset by the costs associated with the re-organisation of the UK service providers. Vodafone's cost of providing financial incentives to service providers for obtaining new customers amounted to £246.0 million in 1998 compared with £211.0 million in 1997.

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

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

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

Profit on ordinary activities before interest

During 1998, Vodafone Group's profit on ordinary activities before interest increased by 25.9% from £564.8 million to £711.3 million, rising at a slower rate than turnover due to the impact of the lower margin UK service providers acquired in the previous financial year, the exceptional costs associated with the reorganization of the service provider businesses and the adverse impact of exchange rates on profit (£19.7 million). Vodafone Group's share of profits of associated undertakings increased by £16.0 million to £59.6 million as Libertel, in the period prior to it becoming a subsidiary of the Group, and Vodacom increased their profits. The profit on disposal of fixed asset investments of £24.9 million in 1998, compared with £25.9 million in 1997, arose from the sale of the Group's 35% holding in Pacific Link, the reduction in the Group's interest in Globalstar from 6.92% to 5.73% on an undiluted basis, and from the sale of the Group's 16% interest in Cellphones Direct (Holdings) Limited.

Net interest payable

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

Taxation

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

Fiscal 1997 compared with Fiscal 1996

Turnover

Vodafone Group's turnover increased by 25% from £1402.2 million in 1996 to £1,749.0 million in 1997. In 1997, the growth within the United Kingdom continued but was supplemented by growth in the Group's international business.

Vodafone's turnover, including sales to fellow subsidiaries, for the year ended March 31, 1997 grew by 9% to 1,187.1 million from £1089.8 million in 1996. During the year over 410,000 net new customers joined Vodafone's digital and analog networks, an increase of 17%. The lower increase in turnover growth than customer growth resulted primarily from an increase during the year in the proportion of consumer customers, who generate lower average revenue. Approximately 950,000 net customers joined the digital network, including 317,000 customers who migrated from the analog network, while the number of customers on the analog network declined by 540,000 in the year. Net customer growth is gross additions less customers who leave or are disconnected from the network. Average revenue of 427 for 1997 declined from that achieved of £481 in 1996 due to the higher proportion of lower revenue generating customers. Turnover from Vodafone's digital networks grew from approximately £234 million in the year ended March 31, 1996 to approximately £559 million in the year ended March 31, 1997.

During 1997, the Vodafone Group acquired majority interests in Panafon and Panavox, the remaining equity of Talkland and Astec Communications which it did not previously own and Peoples Phone. Excluding the turnover of acquired service providers included as revenue within the accounts of Vodafone and including turnover from other acquisitions in the year, acquisitions in total contributed turnover of £106.6 million in the year ended March 31, 1997. In addition, Vodafone Group's three wholly owned UK service provider subsidiaries, Vodac, Vodacom and Vodacall increased their turnover from £369.6 million in 1996 to £410.4 million in 1997.

The only other UK Vodafone Group company to have significant turnover in 1997 was Vodafone Value Added Services. Vodafone Value Added Services' turnover, including intercompany turnover, increased from £51.5 million in 1996 to £57.3 million in 1997 with the continuing growth in voice messaging.

In 1997, international turnover represented 15% of the Group's total turnover, compared with 11% in 1996, reflecting increased turnover from Vodafone Pty in Australia and from Vodafone SA in France as well as turnover from Panafon and Panavox, majority interests of which were acquired in February 1997.

Operating costs

During the period under review cost of sales increased from £722.4 million in 1996 to £916.5 million in 1997 representing 52.4% of turnover in 1997, up from 51.5%. Vodafone Group's cost of sales as a proportion of turnover in 1997 increased due principally to the costs of migrating customers from the analog to the digital network rising to £52 million offset by a fall in the level of payments of financial incentives to service providers in relation to turnover. Vodafone's costs of providing financial incentives to service providers for obtaining new customers amounted to £211.0 million in 1997 compared with £193.0 million in 1996.

The level of churn experienced by Vodafone during the year ended March 31, 1997 as a percentage of customers was 27.4% compared with approximately 25.6% for the year ended March 31, 1996. The main reason for the increased level of churn in 1997 was the comparatively high level of analog churn as a result of customers who did not wish to retain their telephone numbers finding it cheaper to move to the digital service by churning rather than migrating. In addition, the anniversary of the high level of connections at Christmas 1995, combined with the acceptance by the Vodafone Group of the Office of Fair Trading's decision to reduce service providers' contractual notice periods from three months to one, reducing the effective minimum contract period, caused a short term increase in disconnections in the final quarter.

At the year end the level of churn on the analog and digital networks was approximately 33% and 15% respectively.

Vodafone Group's research and development costs for 1997 were £33.3 million compared with £27.1 million in 1996.

Selling and distribution costs were £71.1 million and £123.6 million in the years ended March 31, 1996 and 1997 representing 5.1% and 7.1% of turnover for the years respectively. In 1997, selling and distribution costs increased by 74% compared with 1996. This increase is attributable to the acquisitions of Talkland, Peoples Phone, Astec Communications and the acquisition of a majority interest in Panafon and Panavox made in the year, together with increased cost of administration arising from the growth in the business.

Profit on ordinary activities before interest

During 1997, Vodafone Group's profit on ordinary activities before interest increased by 16.9% from £483.1 million to £564.8 million and rose at a rate slower than turnover for the following reasons; the cost of migrating customers grew to £52.0 million, expenditure on marketing increased and the results of acquired service providers, Talkland, Peoples Phone and Astec Communications, were consolidated into the Group result. Vodafone Group's share of profits of associated undertakings increased by £16.7 million to £43.6 million as Panafon (in the period prior to it becoming a subsidiary) and Vodacom increased their profits. Vodafone's cost of fraud in the UK was significantly reduced to 0.3% of revenue in the year. The profit on disposal of fixed asset investments of £25.9 million in 1997, compared with £7.2 million in 1996, arose from the sale of the Group's 50% holding in Orbitel Mobile Communications to LM Ericsson, the sale of 5% of the Group's investment in Vodafone Network Pty Limited to AAP Information Services Pty Ltd in fulfilment of an agreement entered into when its license was granted and the sale by the Group's associate Europolitan Holdings AB of its 20% interest in Sonofon AB, a Danish GSM operator.

Net interest payable

In 1997, net interest payable increased by £17.7 million to £25.7 million from £8 million in 1996, as a result of the borrowings taken out to finance acquisitions and fund international associated undertakings.

Taxation

In 1997 Vodafone Group provided for corporation tax at an effective rate of approximately 31.9%, compared with the United Kingdom statutory rate of 33%. This effective tax rate reduced from 34.7% in 1996 as international subsidiaries continued to move into profit utilising tax losses generated during their start up phase.

Inflation

Inflation has not had a significant effect on Vodafone Group's results of operations and financial condition during the three years ended March 31, 1998.

Liquidity and Capital Resources

The major sources of Group liquidity over the three years ended March 31, 1998 have been cash generated from operations, cash received from the issue of debt in the capital markets and committed bank facilities.

Cash generated by operating activities was £886.4 million in 1998, £627.9 million in 1997 and £604.6 million in 1996. The increase from 1997 to 1998 was mainly due to an increase in operating profit, favourable working capital movements and, in addition, the continuing impact of the consolidation of Panafon a majority interest in which was acquired in February 1997. The increase from 1996 to 1997 was primarily due to an increase in operating profit partly offset by movements in working capital.

Net cash flow generated by operating activities was used mainly to fund capital expenditure, pay tax and finance dividend payments.

New investments in 1998, of £584.7 million (1997 — £528.0 million), which comprise equity, shareholder loans and the external debt of subsidiaries acquired, were financed principally by increased debt. The significant equity investments in the year were in relation to Libertel and Liberfone £272.6 million, SFR £112.2 million and Panafon and Panavox £66.1 million.

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

At March 31, 1997, Vodafone Group's network infrastructure fixed assets totalled £1,039.4 million, and represented approximately 82% of Vodafone Group's tangible fixed assets, an increase from £733.8 million at March 31, 1996. In 1997, fixed assets, with a net book value of £173.8 million, were acquired by the acquisition of subsidiary undertakings. Additions to network infrastructure in the year totalled £316.5 million compared to £247.4 million in the year ended March 31, 1996. Overseas capital expenditure in the 1997 financial year amounted to £164.2 million (1996 — £195.1 million) and was attributable to expenditure on digital networks in Australia and Greece.

In 1998, £24.9 million was spent on additional frequency spectrum in the Netherlands and in 1996, £59.6 million was spent on license fees and acquiring further frequencies in Australia.

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

From 1996 to 1997, net current liabilities, excluding debtors due in more than one year, increased by £277.3 million, with trade creditors, other creditors and accruals and deferred income increasing by £95.3 million, £57.5 million and 125.3 million respectively due to both acquisitions in the period and increased turnover. Current taxation liabilities increased by £14.9 million with the increased tax charge on profits. The proposed dividend increased by £12.9 million over the prior year. Net borrowings within working capital, comprising short term bank, other loans and overdrafts, commercial paper, cash at bank and liquid investments, increased by £90.2 million due to continued investment in capital expenditure and overseas operations. Debtors due within one year increased by £111.9 million due to acquisitions made in the year and increased turnover.

At March 31, 1998 and 1997 Vodafone Group had net borrowings of £1,117.0 million and £680.6 million respectively. Long term debt at March 31, 1998 and March 31, 1997 was £643.2 million and £522.9 million respectively, and at both dates primarily comprised two £250 million Eurobonds, repayable in 2001 and 2004 respectively.

The Vodafone Group expects to spend approximately £700 million on capital expenditure in 1998/99. About half of this expenditure will be in the UK, where capacity continues to be added to the digital network to accommodate growth in customer numbers and traffic generated by visitors. The balance will be expended on the digital networks in Australia, Greece and the Netherlands to enhance capacity and maintain a high quality of service. Investment expenditure will be in the order of £100 million mainly in respect of the Egyptian consortium, Misrfone. Investments could be higher if suitable opportunities arise as Vodafone Group continually reviews potential opportunities, primarily in telecommunications businesses, to make acquisitions or enter into joint ventures, equity investments or other arrangements. Any necessary external financing for any such new businesses, acquisitions or other arrangements could be obtained through committed bank facilities, debt capital markets or the issuance of equity securities.

Vodafone Group has a strong financial position demonstrated by credit ratings of A-1/P-1 short term and A+/A2 long term from Standard and Poor's and Moody's respectively, which enables the Group to access a wide range of debt finance including Eurobonds, commercial paper and committed bank facilities. At March 31, 1998 the Vodafone Group had committed facilities of £1,623.8 million comprising two £250 million Eurobonds repayable in 2001 and 2004 and committed bank facilities of £1,123.8 million with an average expiry of approximately 3 years.

A substantial proportion of the debt maturing within one year is commercial paper, issued under the Group's 500 million multi-currency Euro commercial paper program, which was extended to £800 million on July 9, 1998. The program is fully supported by committed bank facilities that expire between June 9, 1999 and March 31, 2003.

Exchange Rates

Due to the significance of the Group's UK operations in relation to the Vodafone Group as a whole, and because of the wide diversity of foreign currency investments, movements in exchange rates have had no material impact on the Vodafone Group's profit and loss account in any of the two years ended March 31, 1997. As noted above, the adverse impact of exchange on the Group's operating profit was £19.7 million in fiscal 1998.

Year 2000

The Year 2000 issue, relating to date sensitive calculations, is one which affects all companies which are reliant on computer based technologies. The Group is giving high priority to the impact of the millennium and is taking significant and positive steps to minimise the effect of the Year 2000 date change on the Group's ability to maintain its networks and to continue to provide services to its customers.

Each subsidiary within the Group has implemented a Year 2000 program which is managed through an executive steering group chaired by a director of that company and progress is regularly monitored by the Executive Committee of Vodafone Group Plc.

The Vodafone Group is operating to policies which seek to ensure that the businesses and all operations of the Vodafone Group meet the definition of Year 2000 conformity, as set out in DISC PD2000-1 "A Definition of Year 2000 Conformity Requirements" issued by the British Standards Institution, by December 31, 1998, although compliance is dependent upon suppliers meeting their targets.

The Group has incurred costs of approximately £4 million in the current financial year in relation to Year 2000 compliance and is satisfied that the total future amount will not be material to the future profitability or liquidity of the Group. However, an element of the cost of Year 2000 compliance is not separately identifiable, as millennium modifications are often embodied in software purchased and developed in the normal course of business.

Introduction of the single European currency

The Group recognises the importance of Economic and Monetary Union (EMU), particularly for its businesses operating in countries which are now committed to the introduction of a single European currency, the Euro. Implementation plans are in place where required and the Executive Committee of Vodafone Group Plc reviews the impact of EMU where strategic and operational matters are considered. The financial cost of preparations for EMU are not material to the Group.

Accounting principles

The Consolidated Financial Statements in respect of the year ended March 31, 1998 comply with one new accounting standard issued by the Accounting Standards Board in the United Kingdom: Financial Reporting Standard 9 ("FRS 9") —'Associates and Joint Ventures'. The purpose of FRS9 is to ensure that the Consolidated Financial Statements contain the information necessary to reflect the effect that associates and joint ventures have on the reported financial position as a result of the closeness of involvement through long term interests and significant influence in the case of associates and long term interest and joint control in the case of joint ventures. The implementation of FRS 9 has necessitated the restatement of comparative amounts.

US GAAP reconciliation

The principal differences between US GAAP and UK GAAP, as they relate to Vodafone Group, are the treatment of deferred taxation, the methods of accounting for goodwill, the methods of amortizing license fees, the methods of calculating pension costs, the treatment of proposed dividends not yet declared by the Board of directors and the defeasance of liabilities.

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

ITEM 9A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Group's treasury function provides a centralised service to the Group for funding, foreign exchange, interest rate management and counterparty risk management.

Treasury operations are conducted within a framework of policies and guidelines authorized and reviewed annually by the Board of the Company and are reported regularly to the Board. The Vodafone Group uses a number of derivative instruments, which are transacted for risk management purposes only, by specialist treasury personnel. The internal control environment is reviewed regularly by the Vodafone Group's internal auditors. There has been no change during the year, or since the year end, to the major financial risks faced by the Group or to the Group's approach to the management of those risks.

The Vodafone Group's main interest rate exposure is to sterling interest rates, although there is a smaller exposure to Dutch guilder interest rates. Under the Group's interest rate management policy, interest rates are fixed when net interest is forecast to have a significant impact on profits. Therefore, the term structure of interest rates is managed within limits approved by the Board, using derivative financial instruments such as swaps, futures and forward rate agreements. At the end of the year, 55% of the Group's gross borrowings were fixed for a period of at least one year. A one hundred basis point rise in market interest rates for all currencies in which the Group has borrowings would affect profit before taxation by less than one percent, primarily due to the proportion of fixed interest rate debt.

The Group's policy is to borrow centrally using a mixture of long term and short term loans to meet anticipated funding requirements. These borrowings, together with cash generated from operations, are lent or contributed as equity to subsidiaries. The Board has approved ratios consistent with those used by companies with high credit ratings for net interest cover, market capitalisation to net debt and gross cash flow to net debt, which establish internal limits for the maximum level of debt that the Group may have outstanding. Total Group interest, including that of associates, is covered 11.6 times by profits before interest and tax.

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

During fiscal 1998, sterling appreciated by 21.6%, 23.9%, 13.7% and 17.2% against the Australian dollar, Greek drachma, Dutch guilder and South African rand respectively, the primary currencies in which the Group's international net earnings are denominated. Translating the current year local currency operating results at average exchange rates for fiscal 1997 would result in operating profits £19.7 million greater than those actually achieved using fiscal 1998 average exchange rates. This primarily arose as a result of the strength of sterling against the Greek drachma. A 10% strengthening of sterling against all currencies in which the Group's international net earnings are denominated would reduce fiscal 1998 operating results by £9.9 million. The proportion of international earnings to those of the Group in total is expected to increase in future years.

The Group's policy is not to hedge its international assets with respect to foreign currency balance sheet translation exposure since net assets represent a small proportion of the market value of the Group and international operations provide risk diversity. However, 23% of gross borrowings were denominated in currencies other than sterling in anticipation of dividend streams from profitable international operations and this provides a partial hedge against profit and loss account translation exposure. The relative strength of sterling against certain currencies of countries where the Group operates has resulted in currency translation adjustment of £147.2m and £123.2m to Group reserves in the year ended March 31, 1998 and March 31, 1997 respectively. In both fiscal 1998 and fiscal 1997 the currency translation adjustment to Group reserves arose primarily as a result of the movement of sterling against the Australian dollar, Greek drachma, Dutch guilder, French franc, German mark and South African rand.

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

Additional information requested by this item is set out in Note 17 of the Notes to the Consolidated Statements on pages F-17 to F-19 of this document, and is incorporated herein by reference.

ITEM 10. DIRECTORS AND OFFICERS OF REGISTRANT

The business of the Company is managed by its Board of directors. The Company's Articles of Association (the "Articles") provide that, until otherwise determined by ordinary resolution, the number of directors will not be less than three. Currently, the Company's Board of directors consists of ten directors, five of whom are non-executive directors. The present directors of the Company and executive officer of Vodafone Group are as follows:

Directors

Sir Ernest Harrison, OBE, non-executive Chairman, aged 72, was appointed to his present position in 1988. He was Chairman and Chief Executive of Racal from 1966 until 1992, having been appointed to the Board of directors of Racal in 1958 after joining the Company in 1951. He is now Chairman of Racal Electronics Plc ("Racal"), and is a director of Camelot Plc.

Mr C C Gent, Chief Executive, aged 50, was appointed to his present position on January 1, 1997. He was formerly managing director of Vodafone and prior to that was also managing director of Vodac and Vodata from 1985 to 1986. Immediately prior to joining the Company, he was a divisional director of International Computers Limited ("ICL") and managing director of Baric Computing Services, a division of ICL.

Mr P R Bamford, managing director of Vodafone Distribution (Holdings) Limited, aged 44, was appointed to his present position in 1997 and to the Board in April 1998. Immediately prior to joining the Company, he was a director of W H Smith Group Plc.

Mr D Channing Williams, managing director of Vodafone, aged 50, was appointed to his present position on January 1 1997, having been appointed to the Board in June 1996. Prior to that he was Chairman of the Vodafone Group companies responsible for value added services, paging and data networks. He joined Vodafone in 1985 as marketing director, having previously worked in managerial and executive positions in the telecommunications industry since 1979.

Mr J M Horn-Smith, managing director of Vodafone Group International, aged 49, was appointed to this position in 1993 and the Board in 1996. He is a director of many of the Group's overseas operating companies. He joined Vodafone in 1984 as marketing executive, was promoted to marketing director of Vodafone in 1987 and managing director of Vodapage in 1989.

Mr K J Hydon, financial director, aged 53, was appointed to his present position in 1985. He joined Racal in 1977 and was appointed financial director of Racal-SES Limited in 1979 and the Racal Defence Radar and Avionics Group in 1981. He is a director of several Vodafone Group companies including Vodafone Europe Holdings BV and he also deals with US investor relations.

Sir Gerald Whent, CBE, aged 71, was Chief Executive of the Company until December 1996 and upon his retirement he became non-executive Deputy Chairman. He was Chairman and managing director of the Company from 1983 until the appointment of Sir Ernest Harrison to the position of Chairman in 1988. He is a non-executive director of Racal Electronics Plc and Mobile Systems International Holdings Limited.

Professor Sir Alec Broers, non-executive director, aged 59, was appointed to the Board in January 1998. He spent many years with IBM and is a fellow of the Royal Society, the Royal Academy of Engineering, the Institution of Electrical Engineers, the Institute of Physics and is a Foreign Associate of the US National Academy of Engineering.

Lord MacLaurin of Knebworth DL, non-executive director, aged 61, was appointed to the Board in January 1997. He was formerly Chairman and Chief Executive of Tesco Plc and is Chairman of the England and Wales Cricket Board. He is a non-executive director of Whitbread Plc.

Sir David Scholey, CBE, non-executive director, aged 63 was appointed to the Board in March 1998. He is Senior Adviser to SBC Warburg Dillon Read, a director of the Bank of England, a Governor of the BBC and non-executive director of J Sainsbury Plc and the Chubb Corporation, USA.

Mr E J Peett retired from the Board in October 1997 and Sir William Barlow and Sir Robert Clark retired from their positions as non-executive directors on 31 March 1998.

On July 21, 1998 Sir Ernest Harrison will retire as Chairman and as a director of the Company and Sir Gerald Whent will retire as a non-executive director and Deputy Chairman of the Company. In recognition of the outstanding contributions made by Sir Ernest and Sir Gerald to Vodafone Group Plc the Board has invited them, upon their retirements, to become honorary Life Presidents of the Company.

Executive Officer

Mr S R Scott, Company Secretary, aged 44, was appointed to his present position in 1991, prior to which he was employed in the Racal Group legal department having moved into industry in 1980 from private law practice in London. He is head of the Group Legal department and a director of the Group's pension trustee companies.

The Articles provide that at each Annual General Meeting of the Company one-third (or the nearest number to one-third) of the directors shall retire from office by rotation. The directors to retire in every year shall include (so far as necessary to obtain the number required) any director who is due to retire at the meeting by reason of age or who wishes to retire and not offer himself for re-election and otherwise shall be those who have been longest in office since their last election but as between persons who became directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring director is eligible for re-election. At the Annual General Meeting of the Company to be held on July 21, 1998, and in accordance with the requirements of the Company's Articles of Association, D Channing Williams and J M Horn-Smith will retire by rotation at the Company's Annual General Meeting and, being eligible, will offer themselves for re-election. P R Bamford, Professor Sir Alec Broers and Sir David Scholey will also retire at the Annual General Meeting and offer themselves for re-election having joined the Board since the date of the last Annual General Meeting and therefore being required to offer themselves for election by the shareholders.

The shareholders of Vodafone Group Plc in general meeting may from time to time by ordinary resolution appoint any person to be a director and may also determine in what rotation such director is to retire from office. The directors may from time to time appoint one or more directors but any director so appointed shall retire at the next Annual General Meeting of the Company but shall then be eligible for re-election and any director who so retires shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting. The Board may from time to time appoint one or more directors to be the holder of any executive office for such period and on such terms as it decides. A director so appointed shall cease to hold such office when the Board terminates his appointment or in the case of certain directors appointed to hold an executive office when he ceases to be a director of the Company.

ITEM 11. COMPENSATION OF DIRECTORS AND OFFICERS

The Remuneration Committee of the Board is chaired by Lord MacLaurin and consists only of non-executive directors of the Company. Sir William Barlow and Sir Robert Clark served on the Committee until their retirement from the Board. Lord MacLaurin is now assisted by Sir Ernest Harrison, Professor Sir Alec Broers and Sir David Scholey.

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 ensures the right rewards are given to motivate, incentivise and retain the senior executives of the Group. When appropriate, the Committee invites the views of the Chief Executive and the Group Director of Personnel and commissions reports from expert remuneration consultants. The results of market surveys and other analyses from external sources are also made available to the Committee, which has resolved to review its policy with the Board on a regular basis to ensure it continues to meet the Company's requirements and to comply with best practise.

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. The executive directors participate in the Company's executive share option schemes and are entitled to participate in its all-employee share schemes, the savings related share option scheme and the profit sharing share scheme. There are presently no bonuses or other incentive payments.

After a thorough review the Remuneration Committee has recommended to the Board the introduction of two new incentive schemes. These recommendations are to be put to the Company's shareholders at the Annual General Meeting on July 21, 1998.

All executive directors are contributing members of the Vodafone Group Directors Pension Scheme, which is a scheme approved by the Inland Revenue. P R Bamford, whose benefits as a new member of the scheme are restricted by Inland Revenue earnings limits, also participates in a defined contribution funded unapproved retirement benefits scheme in order to bring his benefits into line with those of the other executive directors. The normal retirement age for the payment of benefits under the scheme was reduced from 65 to 60 during the year. Details of the salaries and benefits of all the directors are set out in the table on page 38. A separate table on page 39 shows the pension benefits earned by the directors in the year.

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

Service contracts

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

Non-executive directors

The remuneration of the non-executive directors, including the Chairman, is established by the Board of directors as a whole and details of each individual non-executive director's remuneration are included in the table below. Except for Sir Gerald Whent in the period prior to his retirement as Chief Executive on December 31, 1996 and in respect of which residual benefits remained outstanding, 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.

The appointments of the Chairman, Sir Ernest Harrison, and the Deputy Chairman, Sir Gerald Whent, are subject to the terms of, in the case of the Chairman, an agreement between the Company, Racal Electronics Plc and Sir Ernest and, in the case of the Deputy Chairman, an agreement between the Company and Sir Gerald. Sir Ernest and Sir Gerald will be retiring from the Board after the Company's Annual General Meeting on July 21, 1998 and their respective agreements will terminate at that time.

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

The aggregate compensation paid by Vodafone Group to its directors and officers as a group for services in all capacities is set out below. The aggregate number of directors and executive officers in the year ended March 31, 1998 was 13 (1997 — 13).

	1998 £000	1997 £000
Salaries and fees...	2,414	2,546
Benefits................	175	245
	2,589	2,791

The Board's remuneration for the year to March 31, 1998 was as follows:

	Salary/fees		Benefits		Total	
	1998 £000	1997 £000	1998 £000	1997 £000	1998 £000	1997 £000
Chairman (Non-executive)						
Sir Ernest Harrison...................	213	202	25	25	238	227
Chief Executive						
C C Gent	587	400	26	30	613	430
Executive directors						
D Channing Williams(1)..........	344	211	25	21	369	232
J M Horn-Smith(1)...................	326	205	18	16	344	221
K J Hydon	319	267	25	30	344	297
E J Peett(2)..............................	235	306	36	37	271	343
Non-executive directors						
Sir Gerald Whent(3)................	104	617	—	61	104	678
Sir William Barlow	48	46	—	—	48	46
Professor Sir Alec Broers(4).....	12	—	—	—	12	—
Sir Robert Clark	48	46	—	—	48	46
Lord MacLaurin(1)	48	12	—	—	48	12
Sir David Scholey(4)................	4	—	—	—	4	—
Former directors....................	—	118	—	6	—	124
	2,288	2,430	155	226	2,443	2,656

Notes

1. 1997 salary and benefits information for D Channing Williams, J M Horn-Smith and Lord MacLaurin is stated from the date of their appointment to the Board.

2. Salaries and benefits for E J Peett are for the period to October 31, 1997 when he retired from the Board. He subsequently received £458,334 and benefits in kind with an estimated value of £6,537.

3. Sir Gerald Whent retired as Chief Executive on December 31, 1996 and was appointed non-executive Deputy Chairman from January 1, 1997.

4. Salary information for Professor Sir Alec Broers and Sir David Scholey is stated from the dates of their appointment to the Board.

5. P R Bamford joined the Board April 1, 1998.

Pension benefits earned by the directors in the year to March 31, 1998.

Name of Director	Increase in accrued pension during the year	Transfer value of increase in accrued pension and change in retirement age	Accumulated total accrued pension at year end
	£	£	£
C C Gent	53,800	911,000	173,300
D Channing Williams	36,200	678,000	119,900
J M Horn-Smith	28,600	497,000	113,900
K J Hydon	28,800	497,000	135,400
E J Peett(2)	19,800	707,000	—

Notes

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

2. Pension benefits for EJ Peett are for the period to October 31, 1997 when he retired from the Board. On that date his accrued pension entitlement was £195,000.

ITEM 12. OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

The directors at March 31, 1998 had a total beneficial interest in options over 2,294,328 ordinary shares of the company (1997 — 3,751,428) and beneficially owned 2,104,979 ordinary shares (1997 — 2,365,760).

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

Share options

The following information summarises the directors' options under the Vodafone Group Savings Related Share Option Scheme ("savings related scheme"), the Vodafone Group Executive Share Option Scheme ("executive scheme"), both Inland Revenue approved schemes, and the Vodafone Group Share Option Scheme ("unapproved scheme"), which is not Inland Revenue approved. Sir Ernest Harrison, Sir William Barlow, Professor Sir Alec Broers, Sir Robert Clark, Lord MacLaurin, Sir David Scholey and Sir Gerald Whent may have no options under any of these schemes. The Remuneration Committee has resolved that, except under the savings related scheme, no shares will be offered at a discount in future grants of options.

	Options held at April 1, 1997	Options granted during the year to March 31, 1998	Options exercised during the year to March 31, 1998	Options held at March 31, 1998	Weighted average exercise price at March 31, 1998 (p)	Date from which exercisable	Latest expiry date
C C Gent	716,111	196,475	—	912,586	2.09	7/96	7/05
D Channing Williams	410,944	116,075	152,400	374,619	2.48	7/98	7/05
J M Horn-Smith	578,044	253,775	361,800	470,019	2.48	7/97	7/05
K J Hydon	325,429	211,675	—	537,104	2.32	7/96	7/05
Sir Gerald Whent(2)	1,283,500	—	1,283,500	—	—		
	3,314,028	778,000	1,797,700	2,294,328			

These options by exercise price were:

	Options price (p)	Options held at April 1,1997	Options granted during the year	Options exercised during the year	Options held at March 31, 1998
Executive scheme and unapproved scheme					
	86.7	144,600	—	144,600	—
	101.7	601,500	—	601,500	—
	107.0	462,300	—	462,300	—
	118.0	3,300	—	3,300	—
	124.7	37,200	—	12,000	25,200
	125.7	76,500	—	76,500	—
	138.7	86,100	—	86,100	—
	141.7	11,700	—	10,200	1,500
	146.3	198,300	—	122,700	75,600
	150.0	6,900	—	6,900	—
	166.3	518,400	—	134,100	384,300
	176.3	312,600	—	20,700	291,900
	198.5	192,900	—	15,800	177,100
	233.5	219,200	—	49,700	169,500
	241.5	417,100	—	51,300	365,800
	293.5	—	766,500	—	766,500
Savings related scheme					
	142.0	14,571	—	—	14,571
	186.0	3,708	—	—	3,708
	193.0	7,149	—	—	7,149
	240.0	—	11,500	—	11,500
		3,314,028	778,000	1,797,700	2,294,328

Notes

1. E J Peett as a director on October 31, 1997 and, accordingly, the information in the above tables does not include details of his options in the executive scheme and the unapproved scheme. At October 31, 1997 he held a total of 125,500 options in the executive scheme at an average exercise price of 205.8p per share and 108,200 options in the unapproved scheme at an average exercise price of 241.5p per share and he had a period of twelve months from that date to exercise the options.

   P R Bamford joined the Board on April 1, 1998 at which time he held options over 10,200 and 175,100 shares in the executive scheme and unapproved scheme respectively at an exercise price of 293.5p per share, the options being exercisable from July 9, 2000.

2. Sir Gerald Whent, who retired as Chief Executive on December 31, 1996, had a period of twelve months from that date to exercise options in the executive scheme and the unapproved scheme.

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

Under the executive scheme and the unapproved scheme in the year to March 31, 1998, the following options were exercised by directors of the Company:

	Options exercised during the year	**Option price (p)**	**Market price at date of exercise (p)**	**Gross pre-tax gain (£)**
Sir Gerald Whent	134,400	86.7	308.0	297,428
	403,200	101.7	308.0	831,802
	368,700	107.0	308.0	741,087
	75,600	125.7	308.0	137,819
	76,200	138.7	308.0	129,007
	6,600	141.7	308.0	10,976
	30,300	146.3	308.0	48,996
	71,700	166.3	308.0	101,599
	15,800	198.5	308.0	17,301
	49,700	233.5	308.0	37,027
	51,300	241.5	308.0	34,115
	1,283,500			2,387,157
D Channing Williams ..	4,800	124.7	333.0	9,999
	3,600	141.7	333.0	6,887
	70,800	146.3	333.0	132,184
	2,700	150.0	333.0	4,941
	62,400	166.3	333.0	104,021
	8,100	176.3	333.0	12,693
	152,400			270,725
J M Horn-Smith	10,200	86.7	300.0	21,757
	198,300	101.7	300.0	393,229
	93,600	107.0	300.0	180,648
	3,300	118.0	300.0	6,006
	7,200	124.7	300.0	12,622
	900	125.7	300.0	1,569
	9,900	138.7	300.0	15,969
	21,600	146.3	300.0	33,200
	4,200	150.0	300.0	6,300
	12,600	176.3	300.0	15,587
	361,800			686,887

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

The closing middle market price of Vodafone Group Plc's shares at the year end was 624.5p, its highest closing price in the year, its lowest closing price having been 266.5p.

At July 1, 1998 the directors and other executive officers of the Company held options, exercisable at the prices set forth below, for the following numbers of Ordinary Shares:

	Number of Ordinary Shares (Option Price)								
	146p	**125p**	**176p**	**166p**	**142p**	**233p**	**198p**	**241p**	**293p**
P R Bamford	—	—	—	—	—	—	—	—	185,300
D Channing Williams ..	—	—	—	—	—	92,100	50,100	109,700	113,200
C C Gent	46,800	15,600	—	—	—	30,600	120,000	106,400	193,600
J M Horn-Smith	—	—	—	115,800	1,500	22,100	7,000	63,200	250,900
K J Hydon	28,800	9,600	137,400	33,000	—	24,700	—	86,500	208,800
Directors and the other executive officer as a group (11 persons)................	75,600	25,200	137,400	160,500	5,400	192,300	184,700	432,900	1,029,200

Sir Ernest Harrison, Professor Sir Alex Broers, Lord MacLaurin, Sir David Scholey and Sir Gerald Whent held no options at July 1, 1998.

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:

	March 31, 1998	April 1, 1997		March 31, 1998	April 1, 1997
Sir Ernest Harrison.......	1,090,000	1,090,000	J M Horn-Smith	100,108	44,447
C C Gent	120,313	116,157	K J Hydon	212,843	205,052
Sir Gerald Whent	532,605	532,605	Lord MacLaurin	6,500	1,000
Professor Sir Alec Broers .	—	—	Sir David Scholey	10,000	—
D Channing Williams ..	32,610	37,390			

Sir William Barlow and Sir Robert Clark both retired from the Board on March 31, 1998, at which time each had an interest in 15,000 shares (1997 — 15,000 shares).

The company had outstanding at July 1, 1998 the following options to subscribe for ordinary shares:

	Number	Price £	Period during which exercisable
Savings Related Share Option Scheme...	12,705	1.14	March 1, 1998 to August 30, 1998
	676,689	1.42	September 1, 1999 to February 29, 2000
	840,755	1.86	September 1, 2000 to February 28, 2001
	501,154	1.93	September 1, 1999 to February 29, 2000
	882,156	1.93	September 1, 2001 to February 28, 2002
	633,658	2.40	September 1, 2000 to February 28, 2001
	888,894	2.40	September 1, 2002 to February 28, 2003
	4,436,011		
Executive Share Option Schemes....	9,000	1.36	July 12, 1992 to July 11, 1999
	2,700	1.26	January 3, 1995 to January 2, 2002
	22,800	1.07	January 3, 1995 to January 2, 2002
	80,100	1.02	July 14, 1995 to July 13, 2002
	37,200	0.87	July 14, 1995 to July 13, 2002
	127,800	1.39	December 21, 1995 to December 20, 2002
	42,600	1.18	December 21, 1995 to December 20, 2002
	405,900	1.46	July 7, 1996 to July 6, 2003
	121,800	1.25	July 7, 1996 to July 6, 2003
	300,000	1.76	December 1, 1996 to November 30, 2003
	29,100	1.50	December 1, 1996 to November 30, 2003
	635,400	1.66	July 4, 1997 to July 3, 2004
	106,800	1.42	July 4, 1997 to July 3, 2004
	2,078,300	2.33	July 4, 1998 to July 3, 2005
	1,113,700	1.98	July 4, 1998 to July 3, 2005
	260,900	2.41	July 5, 1999 to July 4, 2006
	4,120,200	2.41	July 5, 1999 to July 4, 2003
	104,400	2.57	December 2, 1999 to December 1, 2006
	192,500	2.57	December 2, 1999 to December 1, 2003
	358,500	2.93	July 9, 2000 to July 8, 2007
	5,272,300	2.93	July 9, 2000 to July 8, 2004
	15,422,000		

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

ITEM 13. INTERESTS OF MANAGEMENT IN CERTAIN TRANSACTIONS

Except as set out in Note 28 to the Consolidated Financial Statements, since April 1, 1996, the Company has not been, and is not now, a party to any material transactions, or proposed transactions, in which any director, any other executive officer, any spouse or relative of any of the foregoing, or any relative of such spouse had or was to have a direct or indirect material interest.

During the year ended March 31, 1998, and as of July 1, 1998, neither any director nor any other executive officer, nor any associate of any director or any other executive officer, was indebted to Vodafone Group.

PART II

ITEM 14. DESCRIPTION OF SECURITIES TO BE REGISTERED

Not applicable

PART III

ITEM 15. DEFAULTS UPON SENIOR SECURITIES

Not applicable

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

Not applicable

PART IV

ITEM 17. FINANCIAL STATEMENTS

Not applicable

ITEM 18. FINANCIAL STATEMENTS

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

ITEM 19. FINANCIAL STATEMENTS AND EXHIBITS

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

Report of independent auditors

To the Directors of Vodafone Group Plc

We have audited the accompanying consolidated balance sheets of Vodafone Group Plc and subsidiaries as at March 31, 1998 and 1997, and the related consolidated profit and loss accounts, cash flows, and consolidated statements of total recognised gains and losses and movements in equity shareholders' funds for each of the three years in the period ended March 31, 1998 and the financial statement schedule listed in the Index at Item 19, all expressed in pounds sterling. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the related financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vodafone Group Plc and subsidiaries as at March 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1998, in conformity with generally accepted accounting principles in the United Kingdom (which differ in certain material respects from generally accepted accounting principles in the United States of America — see Note 32). Also, in our opinion, the schedule referred to above, when read in conjunction with the related financial statements, presents fairly in all material respects the information shown therein.

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

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR
England
June 2, 1998

Consolidated profit and loss accounts
For the years ended March 31

	Note	1998 $m	1998 £m	1997 Restated £m	1996 Restated £m
Turnover					
Continuing operations		4,037.2	2,408.0	1,749.0	1,402.2
Acquisitions		105.3	62.8	—	—
	3	4,142.5	2,470.8	1,749.0	1,402.2
Operating profit					
Continuing operations		1,039.8	620.2	495.3	449.0
Acquisitions		11.1	6.6	—	—
	4	1,050.9	626.8	495.3	449.0
Share of operating profit in associated undertakings		99.9	59.6	43.6	26.9
Total Group operating profit:					
Group and share of associated undertakings		1,150.8	686.4	538.9	475.9
Disposal of fixed asset investments	5	41.7	24.9	25.9	7.2
Profit on ordinary activities before interest		1,192.5	711.3	564.8	483.1
Net interest (payable)/receivable	6				
Group		(82.8)	(49.4)	(16.4)	4.2
Associated undertakings		(19.6)	(11.7)	(9.3)	(12.2)
Profit on ordinary activities before taxation		1,090.1	650.2	539.1	475.1
Tax on profit on ordinary activities	7	(340.7)	(203.2)	(171.9)	(164.6)
Profit on ordinary activities after taxation		749.4	447.0	367.2	310.5
Equity minority interests		(47.3)	(28.2)	(3.4)	(0.7)
Profit for the financial year		702.1	418.8	363.8	309.8
Equity dividends	8	(285.5)	(170.3)	(147.5)	(122.6)
Retained profit for the Group and its share of associated undertakings		416.6	248.5	216.3	187.2
Earnings per share	9	22.85¢	13.63p	11.89p	10.15p

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

Consolidated balance sheets
At March 31

	Note	1998 $m	1998 £m	1997 £m
Fixed assets				
Intangible assets	10	230.7	137.6	147.4
Tangible assets	11	2,635.1	1,571.7	1,260.3
Investments	12	339.0	202.2	518.9
		3,204.8	1,911.5	1,926.6
Current assets				
Stocks	13	48.4	28.9	19.7
Debtors	14	916.4	546.6	433.7
Liquid investments		0.7	0.4	10.6
Cash at bank and in hand		25.0	14.9	31.2
		990.5	590.8	495.2
Creditors: amounts falling due within one year	15	2,401.4	1,432.3	1,013.2
Net current liabilities		(1,410.9)	(841.5)	(518.0)
Total assets less current liabilities		1,793.9	1,070.0	1,408.6
Creditors: amounts falling due after more than one year	16	1,148.6	685.1	572.7
Provisions for liabilities and charges	18	9.0	5.4	7.3
		636.3	379.5	828.6
Capital and reserves				
Called up share capital	19	258.7	154.3	153.3
Share premium account	20	130.8	78.0	54.7
Capital reserve	20	—	—	4.1
Profit and loss account	20	84.2	50.2	557.9
Total equity shareholders' funds		473.7	282.5	770.0
Equity minority interests		123.7	73.8	34.2
Non-equity minority interests	22	38.9	23.2	24.4
		636.3	379.5	828.6

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

Consolidated cash flows
For the years ended March 31

	Note	1998 $m	1998 £m	1997 Restated £m	1996 Restated £m
Net cash inflow from operating activities	26	1,486.1	886.4	627.9	604.6
Dividends received from associated undertakings		4.9	2.9	6.0	6.1
Returns on investments and servicing of finance					
Interest received		32.2	19.2	28.8	29.1
Interest paid		(105.0)	(62.6)	(21.3)	(9.9)
Net cash (outflow)/inflow for returns on investments and servicing of finance		(72.8)	(43.4)	7.5	19.2
Taxation		(273.1)	(162.9)	(150.1)	(127.1)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(41.7)	(24.9)	(0.8)	(59.6)
Purchase of tangible fixed assets		(824.0)	(491.5)	(350.4)	(295.8)
Purchase of trade investments		—	—	(240.4)	(27.8)
Disposal of trade investment		—	—	4.7	—
Disposal of tangible fixed assets		11.2	6.7	2.8	8.9
Loans to associated undertakings		(2.2)	(1.3)	(46.1)	(81.1)
Loans repaid by associated undertakings		2.3	1.4	4.2	—
Net cash outflow for capital expenditure and financial investment		(854.4)	(509.6)	(626.0)	(455.4)
Acquisitions and disposals					
Purchase of subsidiary undertakings		(593.5)	(354.0)	(122.6)	—
Net cash/(overdrafts) acquired with subsidiary undertakings		42.3	25.2	(77.5)	—
Disposal of interest in subsidiary undertaking		—	—	22.7	—
Purchase of interest in associated undertakings		(220.1)	(131.3)	(11.1)	(4.1)
Purchase of customer bases		(5.9)	(3.5)	(30.3)	—
Disposal of interest in associated undertakings		166.3	99.2	26.8	6.6
Net cash (outflow)/inflow for acquisitions and disposals		(610.9)	(364.4)	(192.0)	2.5
Equity dividends paid		(208.1)	(124.1)	(130.0)	(106.6)
Cash outflow before use of liquid resources and financing		(528.3)	(315.1)	(456.7)	(56.7)

Consolidated cash flows
For the years ended March 31

	Note	1998 $m	1998 £m	1997 Restated £m	1996 Restated £m
Cash outflow before use of liquid resources and financing		(528.3)	(315.1)	(456.7)	(56.7)
Management of liquid resources					
Short term deposits		17.1	10.2	(7.0)	(3.6)
Net cash inflow/(outflow) from management of liquid resources		17.1	10.2	(7.0)	(3.6)
Financing					
Issue of ordinary share capital		19.6	11.7	9.9	7.3
Issue of shares to minorities		5.4	3.2	5.7	—
Purchase of shares from minorities		(1.8)	(1.1)	—	—
Debt due within a year:					
Increase in commercial paper programme		348.4	207.8	122.1	—
Increase/(decrease) in uncommitted bank facilities		146.0	87.1	(22.3)	44.2
Debt due beyond a year:					
Increase/(decrease) in bank loans		165.6	98.8	(120.1)	—
Repayment of debt acquired		(192.1)	(114.6)	—	—
Issue of bond repayable in 2001		—	—	244.9	—
Issue of bond repayable in 2004		—	—	247.2	—
Net cash inflow from financing		491.1	292.9	487.4	51.5
(Decrease)/increase in cash in the year		(20.1)	(12.0)	23.7	(8.8)
Reconciliation of net cash flow to movement in net debt					
(Decrease)/increase in cash in the year		(20.1)	(12.0)	23.7	(8.8)
Cash inflow from increase in debt		(467.9)	(279.1)	(471.8)	(44.2)
Cash (inflow)/outflow from movement in liquid resources		(17.1)	(10.2)	7.0	3.6
Increase in net debt resulting from cash flows		(505.1)	(301.3)	(441.1)	(49.4)
Debt acquired on acquisition of subsidiary undertaking		(200.9)	(119.8)	—	—
Deferred consideration on acquisition of associated undertaking		(35.9)	(21.4)	—	—
Bond issued on acquisition of trade investment		—	—	(12.9)	—
Loan notes issued on acquisition of subsidiary undertaking		—	—	(20.2)	—
Accrued interest on discounted financial instruments		(5.0)	(3.0)	(2.9)	—
Translation difference		15.2	9.1	4.0	1.9
Increase in net debt in the year		(731.7)	(436.4)	(473.1)	(47.5)
Opening net debt		(1,141.1)	(680.6)	(207.5)	(160.0)
Closing net debt	27	(1,872.8)	(1,117.0)	(680.6)	(207.5)

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

	1998 $m	1998 £m	1997 £m	1996 £m
Profit for the financial year	702.1	418.8	363.8	309.8
Currency translation	(246.8)	(147.2)	(123.2)	19.7
Total recognised gains and losses relating to the year	455.3	271.6	240.6	329.5

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

	1998 $m	1998 £m	1997 £m	1996 £m
Profit for the financial year	702.1	418.8	363.8	309.8
Equity dividends	(285.5)	(170.3)	(147.5)	(122.6)
	416.6	248.5	216.3	187.2
Currency translation	(246.8)	(147.2)	(123.2)	19.7
New share capital subscribed	40.8	24.3	9.9	7.3
Goodwill written-off	(1,189.9)	(709.7)	(360.0)	(14.6)
Goodwill transferred to the profit and loss account in respect of business disposals	124.9	74.5	—	—
Scrip dividends	58.2	34.7	4.6	5.4
Other	(21.1)	(12.6)	0.3	(0.2)
Net movement in equity shareholders' funds	(817.3)	(487.5)	(252.1)	204.8
Opening equity shareholders' funds	1,291.0	770.0	1,022.1	817.3
Closing equity shareholders' funds	473.7	282.5	770.0	1,022.1

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

Notes to the consolidated statements

1. Basis of Consolidated Financial Statements

The Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United Kingdom ("UK GAAP"), which differ in certain material respects from generally accepted accounting principles in the United States of America ("US GAAP") — see Note 32. The accompanying financial statements do not represent the UK statutory financial statements of the Company. The UK statutory financial statements for the year ended March 31, 1998, on which the auditors' report was unqualified, will be delivered to the Registrar of Companies.

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

Amounts in the Consolidated Financial Statements are stated in pounds sterling (£), the currency of the country in which the Company is incorporated. The translation into US dollars of the Consolidated Financial Statements as of, and for the fiscal year ended, March 31, 1998, is for convenience only and has been made at the noon buying rate for cable transfers as announced by the Federal Reserve Bank of New York for customs purposes on March 31, 1998. This rate was $1.6766 to £1. This translation should not be construed as a representation that the pound sterling amounts actually represented have been, or could be, converted into dollars at this or any other rate.

The Consolidated Financial Statements comply with one new accounting standard issued by the UK Accounting Standards Board: FRS9 'Associates and Joint Ventures'. Adoption of FRS9 has necessitated the restatement of comparative data.

2. Accounting policies

Accounting convention

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

Basis of consolidation

The Consolidated Financial Statements include the accounts of Vodafone Group Plc ("Vodafone Group"), and its subsidiaries (the "Group") and the Group's share of results of associated undertakings, for financial statements made up to March 31, 1998.

Goodwill

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

Foreign currencies

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

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

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

Turnover

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

Pensions

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

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

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

Research and development

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

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 license fees, are capitalized at cost except for customer contracts, which are written-off to reserves in the year in which they are acquired.

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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

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

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

Investments

The Consolidated Financial Statements include investments in associated undertakings using the equity method of accounting. An associated undertaking is a company in which the Group owns a material share of the equity and, in the opinion of the directors, can exercise a significant influence in its management. The profit and loss accounts include the Group's share of the operating profit or loss, exceptional items, interest income or expense and attributable taxation of those companies. The balance sheets show the Group's proportionate 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, partnership interests and long term loans. They are stated at costs less provision for any permanent diminution in value. Dividend income is recognized upon receipt and interest when receivable.

Stocks

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

Deferred taxation

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

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

Leases

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

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

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

3. Segmental analysis

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

	1998		1997		1996	
	Turnover	Profit/(loss) on ordinary activities before interest	Turnover	Profit/(loss) on ordinary activities before interest Restated	Turnover	Profit/(loss) on ordinary activities before interest Restated
	£m	£m	£m	£m	£m	£m
United Kingdom.......	1,771.7	564.4	1,478.9	531.1	1,242.9	497.2
Continental Europe ..	502.5	137.9	139.8	41.7	75.7	(1.4)
Pacific Rim	196.6	(46.0)	130.3	(33.5)	83.6	(33.6)
Rest of the world......	—	55.0	—	25.5	—	20.9
	2,470.8	711.3	1,749.0	564.8	1,402.2	483.1

	March 31, 1998 Net Assets	March 31, 1997 Net Assets
	£m	£m
United Kingdom.......	559.0	482.3
Continental Europe ..	425.4	501.9
Pacific Rim	393.4	442.5
Rest of the World	118.7	82.5
Net borrowings.........	(1,117.0)	(680.6)
	379.5	828.6

Turnover is by origin which is not materially different from turnover by destination. Sales to one customer as a percentage of total revenues, amounted to 10% in 1998 (1997—12%; 1996—17%). The Group's share of profit on ordinary activities before interest and share of net assets of associated undertakings by geographical region, which are included in the above analyses, are as follows:

Share of profit on ordinary activities before interest

	1998	1997	1996
	£m	£m	£m
United Kingdom.......	2.4	12.8	3.3
Continental Europe ..	11.3	18.3	(5.2)
Pacific Rim	15.8	7.4	14.0
Rest of the World	43.7	25.5	20.4
	73.2	64.0	32.5

Share of net assets

	1998	1997
	£m	£m
United Kingdom.......	(7.4)	(2.2)
Continental Europe ..	52.3	15.2
Pacific Rim	12.2	19.6
Rest of the World	73.2	60.2
	130.3	92.8

4. Operating profit

	Continuing	Acquisitions	1998	1997	1996
	£m	£m	£m	£m	£m
Turnover..................................	2,408.0	62.8	2,470.8	1,749.0	1,402.2
Cost of sales	1,230.1	34.7	1,264.8	916.5	722.4
Gross profit	1,177.9	28.1	1,206.0	832.5	679.8
Selling and distribution costs	201.1	8.6	209.7	123.6	71.1
Administrative expenses	356.6	12.9	369.5	213.6	159.7
Total operating expenses...........	557.7	21.5	579.2	337.2	230.8
Operating profit........................	620.2	6.6	626.8	495.3	449.0

Acquisitions in the year comprise the Dutch cellular network operator, Libertel BV, and its principal service provider, Liberfone BV, controlling interests in which were acquired in January 1998.

Group turnover includes sales to associated undertakings of £175.8m (1997 — £208.9m) and total operating costs include charges from associated undertakings of £43.8m (1997 — £71.3m). Sales to the Group associated undertakings primarily represent network airtime and access costs. Charges from Group associated undertakings primarily represent roaming and service provider incentive payments.

Operating profit has been arrived at after charging:

	1998	1997	1996
	£m	£m	£m
Depreciation of tangible fixed assets			
Owned assets..	203.3	126.0	98.8
Leased assets..	27.7	25.3	16.9
Amortization of intangible fixed assets.....	7.1	3.0	1.2
Research and development........................	33.6	33.3	27.1
Bad debt expense	15.4	16.0	22.2
Payments under operating leases			
Plant and machinery................................	11.6	9.5	8.4
Other assets	126.2	89.4	81.8
Auditors' remuneration			
Audit work	0.7	0.8	0.6
Other fees			
United Kingdom..................................	2.2	1.1	0.7
Overseas..	0.4	0.3	0.2
Exceptional reorganization costs...............	19.7	—	—

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

5. Disposal of fixed asset investments

The profit on disposal of fixed asset investments arose from the sale of the Group's 35% holding in Pacific Link, the reduction in the Group's interest in Globalstar from 6.92% to 5.73% and from the sale of the Group's 16% interest in Cellphones Direct (Holdings) Limited.

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

In 1996, the profit arose principally from the reduction in the Group's interest in Vodacom Group (Pty) Limited to 31.5% in accordance with an agreement entered into before the license was awarded.

6. Net interest payable/(receivable)

	1998 £m	1997 Restated £m	1996 Restated £m
Group			
Interest receivable and similar income	(16.4)	(20.2)	(20.8)
Interest payable and similar charges			
Bank loans and overdrafts.....................	6.6	5.9	13.8
Other loans..	59.2	30.7	2.8
	49.4	16.4	(4.2)
Associated undertakings			
Interest receivable and similar income	(0.4)	—	(0.5)
Interest payable and similar charges			
Bank loans and overdrafts.....................	5.0	2.0	2.3
Other loans..	7.1	7.3	10.4
	11.7	9.3	12.2
	61.1	25.7	8.0

7. Tax on profit on ordinary activities

	1998 £m	1997 £m	1996 £m
United Kingdom			
Corporation tax charge at 31% (1997—33%, 1996 — 33%)........	156.9	158.9	157.2
Transfer (from)/to deferred taxation..	(2.7)	1.4	5.3
Associated undertakings	0.1	(0.1)	0.2
	154.3	160.2	162.7
International			
Subsidiary undertakings...	41.8	6.5	1.6
Transfer to/(from) deferred taxation..	0.4	(0.1)	(0.1)
Associated undertakings	6.7	5.3	0.4
	48.9	11.7	1.9
	203.2	171.9	164.6

The difference between Vodafone Group's statutory UK corporation tax rate of 31% in 1998, 33% in 1997 and in 1996 and Vodafone Group's effective tax rates were as follows:

	1998 £m	1997 £m	1996 £m
Expected tax at UK corporation tax rate	201.6	177.9	156.8
Disallowable expenditure...	22.2	12.7	9.3
Deferred tax not equalised..	(28.8)	(13.8)	(10.4)
Prior year adjustments..	(1.6)	(1.5)	(0.4)
Current year losses for which no credit taken	11.4	9.4	7.0
Net under charge relating to international associated undertakings...	(5.4)	(3.5)	(2.2)
Non taxable profits/non deductible losses......................................	(6.0)	(8.4)	(2.1)
International corporate tax rate differentials...................................	7.3	0.2	1.6
Other	2.5	(1.1)	5.0
Actual tax...	203.2	171.9	164.6
The analysis of the deferred tax credit/(charge) is as follows:			
Tax allowances (exceeded by)/in excess of depreciation................	(1.9)	0.7	0.8
Short term timing differences...	(0.4)	0.6	4.4
	(2.3)	1.3	5.2

At March 31, 1998, Vodafone Group had the following trading and non trading losses available for carry forward and offset against the future trading or total profits of certain Group and associated undertakings:

	£m
UK subsidiaries' trading losses	74.5
International subsidiaries' losses	162.8
Share of UK associated undertakings' trading losses	1.2
Share of international associated undertakings' trading losses	88.0

8. Equity dividends

	1998 £m	1997 £m	1996 £m
Interim dividend paid of 2.71p (1997—2.36p; 1996—1.97p) per ordinary share	83.4	72.2	60.2
Proposed final dividend of 2.82p (1997—2.45p; 1996—2.04p) per ordinary share	86.9	75.3	62.4
	170.3	147.5	122.6

9. Earnings per share

Earnings per share are based upon the weighted average of 3,073,032,493 (1997 — 3,060,400,713; 1996 — 3,052,281,614) ordinary shares in issue throughout the year and are calculated on the profit on ordinary activities after taxation and minority interests of £418.8m (1997 — £363.8m; 1996 — £309.8m).

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

10. Intangible fixed assets

	License and spectrum fees £m
Cost	
April 1, 1997	151.5
Exchange movements	(29.2)
Additions	24.9
March 31, 1998	147.2
Amortisation	
April 1, 1997	4.1
Exchange movements	(1.6)
Charge for the year	7.1
March 31, 1998	9.6
Net book value	
March 31, 1998	137.6
March 31, 1997	147.4

11. Tangible fixed assets

	Land and buildings £m	Plant and machinery £m	Fixtures and fittings £m	Network infrastructure £m	Total £m
Cost					
April 1, 1997	54.5	219.5	84.3	1,571.9	1,930.2
Exchange movements	(7.2)	(8.0)	(2.6)	(111.8)	(129.6)
Acquisition of subsidiary Undertakings	2.5	30.5	9.2	130.9	173.1
Additions	24.0	86.5	16.4	368.1	495.0
Disposals	(1.5)	(13.6)	(12.9)	(11.3)	(39.3)
March 31, 1998	72.3	314.9	94.4	1,947.8	2,429.4
Accumulated depreciation					
April 1, 1997	4.2	102.2	31.0	532.5	669.9
Exchange movements	(0.5)	(2.9)	(0.7)	(16.1)	(20.2)
Charge for the year	11.2	73.0	14.0	132.8	231.0
Disposals	(0.2)	(6.1)	(7.6)	(9.1)	(23.0)
March 31, 1998	14.7	166.2	36.7	640.1	857.7
Net book value					
March 31, 1998	57.6	148.7	57.7	1,307.7	1,571.7
March 31, 1997	50.3	117.3	53.3	1,039.4	1,260.3

The net book value of land and buildings comprises freeholds of £13.0m (1997—£11.1m), long leaseholds of £2.9m (1997—£3.6m) and short leaseholds of £41.7m (1997—£35.6m).

Network infrastructure comprises:

	Freehold premises £m	Short term leasehold premises £m	Plant and machinery £m	Total £m
March 31, 1998				
Cost	11.2	156.4	1,780.2	1,947.8
Accumulated depreciation	(2.2)	(46.0)	(591.9)	(640.1)
Net book value	9.0	110.4	1,188.3	1,307.7
March 31, 1997				
Net book value	7.1	86.4	945.9	1,039.4

12. Fixed asset investments

	Associated undertakings £m	Other investments £m	Total £m
April 1, 1997	96.0	422.9	518.9
Exchange movement	(13.5)	(33.8)	(47.3)
Equity additions and loan advances	160.7	—	160.7
Disposals	(9.6)	(3.7)	(13.3)
Share of retained results	30.9	—	30.9
Goodwill written-off	(425.3)	—	(425.3)
Acquisition of subsidiary undertakings	(22.4)	—	(22.4)
Reclassification to associated undertakings	321.3	(321.3)	—
March 31, 1998	138.1	64.1	202.2

The Group's share of its associated undertakings' post acquisition accumulated profits at March 31, 1998 amounted to £69.7m (1997—£7.2m) and loans to associated undertakings at March 31, 1998 were £56.2m (1997—£62.9m). The maximum aggregate loans to associates and former associates during the year which are not included within the period end balance were £1.4m (1997—£155.2m). The Group's associated undertakings and fixed asset investments are detailed on pages F-31 and F-32. Fixed asset investments include the Group's interest of 13.5m (1997—£8.1m) in Europolitan Holdings AB, a company listed on the Stockholm Stock Exchange. At March 31, 1998, the Group's interest had a market value of £250.6m (1997—£102.9m). If this investment had been sold on March 31, 1998 at market value, a potential tax liability of £40.3m may have arisen.

Fixed asset investments include 2,193,058 shares in Vodafone Group Plc held by a Qualifying Employee Share Ownership Trust. These shares are included at their cost to the Group of £nil. Further detail is provided within note 19 to these accounts.

Associated Undertakings

The Group's share of its associated undertakings comprises:

	1998 £m	1997 £m
Share of turnover of associated undertakings	604.6	255.4
Share of assets		
Fixed assets	326.6	210.7
Current assets	182.7	66.5
	509.3	277.2
Share of liabilities		
Liabilities due within one year	295.8	95.7
Liabilities due after more than one year	83.2	88.7
	379.0	184.4
Share of net assets	130.3	92.8

The Group’s share of the net assets of its associated undertakings comprises:

	1998 £m	1997 £m
Fixed asset investments	138.1	96.0
Included in other creditors (note 15)	(7.8)	(3.2)
	130.3	92.8

The Group’s associated undertakings and fixed asset investments are detailed on pages F-31 and F-32.

13. Stocks

	1998 £m	1997 £m
Finished goods ..	28.9	19.7

14. Debtors

	1998 £m	1997 £m
Due within one year:		
Trade debtors	283.1	218.1
Amounts owed by associated undertakings.....	31.2	34.1
Other debtors..	35.5	29.4
Prepayments and accrued income	184.5	144.6
	534.3	426.2
Due after more than one year:		
Other debtors..	0.5	0.2
Prepayments...	11.8	7.3
	12.3	7.5
	546.6	433.7

15. Creditors: Amounts falling due within one year

	1998 £m	1997 £m
Bank loans, other loans and overdrafts	156.7	75.8
Commercial paper...	332.4	123.7
Trade creditors	198.2	169.5
Amounts owed to associated undertakings.....	0.3	—
Taxation	205.3	176.2
Other taxes and social security costs.............	27.2	24.0
Other creditors	30.5	84.8
Proposed dividend...	86.9	75.3
Accruals and deferred income.......................	394.8	283.9
	1,432.3	1,013.2

The weighted average interest rate on short term borrowings at March 31, 1998 was 7.4% (1997 — 6.4%).

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

	1998 £m	1997 £m
Bank loans	117.5	18.7
Other loans................................	525.7	504.2
Other creditors	32.4	36.7
Accruals and deferred income....	9.5	13.1
	685.1	572.7

The other loans include £247.6m (1997 — £247.2m) and £246.7m (1997 — £245.7m) of sterling bonds issued by Vodafone Group Plc, with coupon rates of 7.5% and 7.875% respectively. These bonds are repayable in 2004 and 2001 respectively. The bank loans of £117.5m, which are repayable between two and five years from the balance sheet date, would have been repayable in less than one year in the absence of committed facilities that expire in March 2003.

17. Borrowings

Net debt

	1998	1997
	£m	£m
Liquid investments.............	(0.4)	(10.6)
Cash at bank and in hand....	(14.9)	(31.2)
Debt due within one year	489.1	199.5
Debt due after one year	643.2	522.9
	1,117.0	680.6

Interest rate and currency of borrowings

After taking into account the various interest rate and currency swaps entered into by the Group, the currency and interest rate exposure of the gross borrowings of the Group at 31 March 1998 was:

Currency	Total	Floating borrowings	Fixed borrowings	Fixed borrowings: Weighted average interest rate	Fixed borrowings: Weighted average time for which rate is fixed
	£m	£m	£m	%	Years
Sterling	876.9	379.5	497.4	7.6	3.8
Other......................	255.4	133.7	121.7	4.3	1.6
Gross borrowings...	1,132.3	513.2	619.1	7.0	3.4

Maturity of Borrowings

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

	1998	1997
	£m	£m
Within 1 year..................	473.8	157.7
Between 2 and 5 years....	395.6	275.7
Over 5 years....................	247.6	247.2
	1,117.0	680.6

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

	1998	1997
	£m	£m
Within one year	489.1	199.5
Between two to three years.....	—	17.8
Between three to four years	278.1	1.2
Between four to five years......	117.5	256.7
Between five to six years........	247.6	—
Between six to seven years	—	247.2
	1,132.3	722.4

Borrowing facilities

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

	1998	1997
	£m	£m
Expiring within 1 year.....	—	103.0
Expiring beyond 1 year....	1,006.3	736.0
	1,006.3	839.0

Financial instruments

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

(i) *Interest rate risk management*

The Group enters into interest rate swap agreements, forward rate agreements and futures contracts to adjust both the proportion of debt subject to fixed or floating interest rates and the period of that interest. At March 31, 1998 the Group had outstanding interest rate swap, futures contracts and forward rate agreements with a notional principal amount of £906m. The fair value of these agreements was £7.4m in excess of their carrying value at March 31,1998 (1997 — no material difference).

(ii) *Foreign exchange rate risk*

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

At March 31,1998 the Group had outstanding foreign exchange contracts with an aggregate amount of £223.6m (1997 — £175.8m). These contracts mature within 61 months (1997 — 73 months). The fair value of these contracts was £6.9m in excess of their carrying value at March 31,1998 (1997 — no material difference). Profits and losses arising from these instruments are recognized in the profit and loss account when the associated sale and purchase is recognized or when a hedged transaction is no longer expected to occur.

The fair value of both the interest rate and foreign exchange rate risk management instruments was estimated by discounting the future cash flows to net present values using appropriate market interest and foreign exchange rates prevailing at the year end. There has been no material change in the profile of both the interest risk and foreign exchange risk from March 31, 1998 to the date of approval of these financial statements. No instruments are held by the Group for trading purposes.

(iii) *Fair Values*

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

	1998 Net carrying amount £m	1998 Estimated fair value £m	1997 Net carrying amount £m	1997 Estimated fair value £m
Cash at bank and in hand and liquid investments	15.3	15.3	41.8	41.8
Borrowings:				
Short term	489.1	489.1	199.5	199.5
Long term	643.2	659.9	522.9	525.9

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

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

Current assets and liabilities — Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair value approximates to their book values.

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

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

18. Provisions for liabilities and charges

Deferred taxation	£m
April 1, 1997	7.3
Profit and loss account	(2.3)
Exchange movements	0.4
March 31, 1998	5.4

The amounts provided and unprovided for deferred taxation are:

	1998		1997	
	Amount provided £m	Amount unprovided £m	Amount provided £m	Amount unprovided £m
Accelerated capital allowances	0.2	90.7	2.3	85.7
Gains subject to rollover relief	—	6.7	—	15.8
Other timing differences	5.2	(17.6)	5.0	(21.9)
	5.4	79.8	7.3	79.6

The potential net tax benefit in respect of tax losses carried forward at March 31, 1998 was £23.1m in United Kingdom subsidiaries (1997 — £26.6m) and £57.7m in international subsidiaries (1997 — £29.2m). These losses are only available for offset against future profits arising from the same trades within these companies.

In addition, the Group's share of losses of United Kingdom and international associated undertakings which is available for set off against future profits is £1.2m and £88.0m respectively (1997 — £1.8m and £69.9m respectively).

19. Called up share capital

	Number	1998 £m	Number	1997 £m
Authorised				
Ordinary shares of 5p each	4,000,000,000	200.0	4,000,000,000	200.0
Allotted, issued and fully paid				
April 1	3,066,158,194	153.3	3,056,511,679	152.8
Allotted and issued during the year	19,429,129	1.0	9,646,515	0.5
March 31	3,085,587,323	154.3	3,066,158,194	153.3

	Number	Nominal Value £m	Proceeds £m
Allotted during the year			
Savings related share option scheme	2,711,067	0.1	13.1
Executive share option schemes	7,269,700	0.4	11.2
	9,980,767	0.5	24.3
Scrip dividends	9,448,362	0.5	—
	19,429,129	1.0	24.3

In 1998, the company established a Qualifying Employee Share Ownership Trust ("QUEST") to operate in connection with the Company's savings related share option scheme. The trustee of the QUEST is Vodafone Group Share Trustee Limited, a wholly owned subsidiary of the Company. A total of 2,290,339 new ordinary shares of 5p each were allotted to the trustee and at March 31, 1998 97,281 of these shares had been transferred to option holders exercising options under the savings related share option scheme. The 2,193,058 shares held by the trustee at March 31, 1998 had a market value of £13.7m. The dividend rights in respect of these shares have been waived.

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

Options for ordinary shares

The Company has three share option plans for its directors and employees. The maximum aggregate number of ordinary shares in respect of which options may be granted under these three plans will not (without shareholder approval) exceed 5% of the outstanding Ordinary Shares at the date of grant of any options, subject to an overall fixed limit of 100,000,000 Ordinary Shares.

The Vodafone Group Savings Related Share Option Scheme provides for the granting of share options at exercise prices which shall be determined by the Directors but which shall not be less than 80% of the average price of an Ordinary Share in the five days before the option was offered. Options will normally only be exercisable during a period of six months commencing on the third or fifth anniversary of the commencement of the related savings contract.

The Vodafone Group Executive Share Option Scheme and the Vodafone Group Share Option Scheme provide for the granting of share options at exercise prices which shall be determined by the Directors but which shall not be less than 85% of the fair market value of a share on the last dealing day before the option was offered. In the past options have been granted at a discount, but the Directors have resolved that no shares in future grants of options will be offered at a discount. Options will normally be exercisable between three and ten years after their date of grant, in the case of the Vodafone Group Executive Share Option Scheme, and between three and seven years after their date of grant, in the case of the Vodafone Group Share Option Scheme. In either case options will only be exercisable if the Directors are of the opinion that there has been real growth in the earnings per ordinary share of the Company over a three-year period following their date of grant and, in the case of any options granted at a discount to the fair market value, such growth exceeds the growth in the UK Index of Retail Prices by 2 per cent.

The Company had outstanding at March 31, 1998 the following options to subscribe for ordinary shares:

	Number	Price £	Period during which exercisable
Savings related share option scheme			
	39,378	1.14	March 1, 1998 to August 30, 1998
	703,611	1.42	September 1, 1999 to February 29, 2000
	903,754	1.86	September 1, 2000 to February 28, 2001
	559,133	1.93	September 1, 1999 to February 29, 2000
	964,188	1.93	September 1, 2001 to February 28, 2002
	668,830	2.40	September 1, 2000 to February 28, 2001
	921,232	2.40	September 1, 2002 to February 28, 2003
	4,760,126		
Executive share option schemes			
	9,000	1.36	July 12, 1992 to July 11, 1999
	12,600	1.26	January 3, 1995 to January 2, 2002
	32,100	1.07	January 3, 1995 to January 2, 2002
	151,200	1.02	July 14, 1995 to July 13, 2002
	54,900	0.87	July 14, 1995 to July 13, 2002
	167,400	1.39	December 21, 1995 to December 20, 2002
	55,800	1.18	December 21, 1995 to December 20, 2002
	451,800	1.46	July 7, 1996 to July 6, 2003
	140,100	1.25	July 7, 1996 to July 6, 2003
	461,700	1.76	December 1, 1996 to November 30, 2003
	31,500	1.50	December 1, 1996 to November 30, 2003
	934,400	1.66	July 4, 1997 to July 3, 2004
	121,200	1.42	July 4, 1997 to July 3, 2004
	2,174,100	2.33	July 4, 1998 to July 3, 2005
	1,148,800	1.98	July 4, 1998 to July 3, 2005
	281,400	2.41	July 5, 1999 to July 4, 2006
	4,375,400	2.41	July 5, 1999 to July 4, 2003
	112,900	2.57	December 2, 1999 to December 1, 2006
	192,500	2.57	December 2, 1999 to December 1, 2003
	405,400	2.93	July 9, 2000 to July 8, 2007
	5,371,300	2.93	July 9, 2000 to July 8, 2004
	16,685,500		

Movements in share options outstanding during the years ended March 31, 1998, 1997 and 1996 are summarised as follows:

	Number of options		
	1998	1997	1996
At April 1	22,352,038	23,775,930	25,323,296
Granted	7,513,745	7,223,688	5,503,201
Exercized	(7,787,709)	(7,772,240)	(6,874,393)
Forfeited	(632,448)	(875,340)	(176,174)
At March 31	21,445,626	22,352,038	23,775,930
Exercizable at March 31	2,663,078	5,406,918	6,174,300
Weighted average price:			
Granted during year	2.82	2.31	2.13
Exercized during year	2.44	1.26	1.06
Forfeited during year	2.15	1.75	1.26
Outstanding at March 31	2.32	1.86	1.52
Exercizable at March 31	1.51	1.27	1.13

20. Reserves

	Share premium account £m	Capital reserve £m	Profit and loss account £m
April 1, 1997	54.7	4.1	557.9
Allotment of shares	11.3	—	—
Retained profit for the financial year	—	—	248.5
Goodwill written off (Note 21)	—	—	(709.7)
Goodwill transferred to the profit and loss account in respect of business disposals	—	—	74.5
Currency translation	—	—	(147.2)
Transfer in respect of issue of shares to QUEST (note 19)	12.5	(4.1)	(8.5)
Scrip dividends	(0.5)	—	34.7
March 31, 1998	78.0	—	50.2

The currency translation movement includes a gain of £9.1m in respect of foreign currency borrowings.

At March 31, 1998 the cumulative direct charge against the profit and loss account in equity in respect of exchange adjustments was £235.6m (1997 — cumulative charge of £88.4m).

21. Goodwill

The cumulative amount of goodwill written-off by the Group at March 31, 1998 was £1,223.1m (1997 — £587.9m).

Goodwill written-off in the year comprises £259.3m on the acquisition of the subsidiary undertaking CV Gemeenschapplijk Bezit Libertel, £419.9m on the acquisition of the associated undertaking Société Française du Radiotéléphone SA and £30.5m on other acquisitions.

Acquisition of subsidiary undertaking

CV Gemeenschapplijk Bezit Libertel

	Balance sheet at acquisition £m	Accounting policy conformity(2)(3) £m	Fair value balance sheet £m
Tangible fixed assets	170.5	—	170.5
Other net liabilities	(12.8)	—	(12.8)
Deferred taxation	28.1	(28.1)	—
Cash at bank and in hand	25.2	—	25.2
Long term loans	(119.8)	—	(119.8)
	91.2	(28.1)	63.1
Minority interest			(24.3)
Associate carrying value			(21.9)
Goodwill			252.1
Purchase consideration			269.0

Notes

1. The table above sets out details in relation to the acquisition of 26.5% of CV Gemeenschapplijk Bezit Libertel on 7 January 1998. On 30 March 1998, the Group acquired an additional 8.5% share of this partnership for a cash consideration of £12.6m. On the date of acquisition the fair value of the assets acquired was £5.4m, giving rise to £7.2m of goodwill.

2. This adjustment is required to adjust the balance sheet of CV Gemeenschapplijk Bezit Libertel to a basis consistent with the accounting policies adopted by the Group.

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

Acquisition of associated undertaking

Société Française du Radiotéléphone

	Balance sheet at acquisition(1)	Accounting policy conformity(5)	Adjustments(2)(3)	Fair value balance sheet(1)
	£m	£m	£m	£m
Tangible fixed assets	175.1	—	(6.6)	168.5
Intangible fixed assets	19.7	(19.7)	—	—
Other net liabilities	(42.0)	—	(2.3)	(44.3)
Net borrowings	(89.2)	—	—	(89.2)
	63.6	(19.7)	(8.9)	35.0
Carrying value of investment				(321.3)
Goodwill				419.9
Purchase consideration				133.6
Adjustment for deferred consideration(4)				(21.4)
Purchase consideration paid				112.2

The table above sets out details of the acquisition of 3.89% of Société Française du Radiotéléphone SA on 23 December 1997.

Notes

1. Amounts included within the balance sheet at acquisition and the fair value balance sheet represent the Group's share of those amounts.

2. These adjustments primarily comprise provisions for the permanent diminution in value of certain tangible fixed assets and accruals for unrecognised liabilities within the balance sheet on acquisition.

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

4. The deferred consideration represents cash payable in July 2001.

5. This adjustment is required to adjust the balance sheet of Société Française du Radiotéléphone SA to a basis consistent with the accounting policies adopted by the Group.

Acquisition accounting has been utilised for all business combinations in the year.

Other goodwill written off in the year of £30.5m includes £5.9m on the 55% interest in Mobile Phone Centre Limited that the Group did not already own and £4.2m in respect of the acquisitions of the Peoples Phone Company Plc and General Mobile Corporation Limited made in the previous financial year. These adjustments in relation to prior year acquisitions were primarily in respect of under accruals for liabilities existing on the date of acquisition. The goodwill of £30.5m related to acquisitions with combined consideration of £31.0m and net assets acquired of £0.5m. No significant fair value adjustments were made in respect of these acquisitions.

The summarised profit and loss accounts of CV Gemeenschapplijk Bezit Libertel and Société Française du Radiotéléphone SA for the year ended December 31, 1997 translated at the average exchange rates for the year of 1=NLG3.30 and £1=FFR9.84 and the year ended December 31, 1996, translated at the average exchange rates for the year of £1=NLG2.79 and £1=FFR8.42 are given below:

CV Gemeenschapplijk Bezit Libertel

	1997	1996
	£m	£m
Turnover	182.6	72.5
Operating costs	(188.0)	(132.5)
Operating loss	(5.4)	(60.0)
Net interest payable	(3.4)	(1.1)
Loss before tax	(8.8)	(61.1)
Taxation	1.3	20.5
Loss after taxation	(7.5)	(40.6)

Société Française du Radiotéléphone SA

	1997 £m	1996 £m
Turnover	979.0	618.7
Operating costs	(1,099.2)	(793.7)
Operating loss	(120.2)	(175.0)
Net interest payable	(20.2)	(18.5)
Loss before and after taxation	(140.4)	(193.5)

A statement of recognised gains and losses for each of the above undertakings in each of the periods would include only the loss after taxation.

22. Non-equity minority interests

Non-equity minority interests of £23.2m (1997 — £24.4m) comprise non-cumulative redeemable preference shares issued by Vodafone Network Pty Limited. The holders of these securities have the right to vote and receive such dividend as the directors declare, subject to a pre defined limit on the amount of that dividend. These shares are redeemable by either the company or the holder of the shares under certain circumstances and are generally not entitled to any participation in the profits or assets of the company other than as prescribed. These securities rank in priority to all other classes of share issued by the company as regards return of capital.

23. Leased assets

Operating leases

Future minimum amounts payable under non-cancellable operating leases at March 31,1998 are as follows:

Years ending March 31	£m
1999	145.3
2000	125.7
2001	112.7
2002	52.9
2003	48.0
Thereafter	211.6
	696.2

Finance leases

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

	Plant & machinery £m	Fixtures & fittings £m	Network infrastructure £m	Total £m
March 31, 1998				
Cost	9.5	2.7	260.4	272.6
Depreciation	(5.0)	(0.8)	(60.3)	(66.1)
Net book value	4.5	1.9	200.1	206.5
March 31, 1997				
Net book value	7.0	2.8	237.1	246.9

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

24. Capital commitments

	1998 £m	1997 £m
Contracted for but not provided	112.9	130.4

25. Contingent liabilities

	1998	1997
	£m	£m
Guarantees of bank or other facilities including those in respect of the Group's associated undertakings and investments.......................................	134.2	137.2

26. Net cash inflow from operating activities

	1998	1997	1996
		Restated	Restated
	£m	£m	£m
Operating profit...........................	626.8	495.3	449.0
Depreciation and amortization.....	238.1	154.3	116.9
(Increase)/decrease in stocks........	(7.4)	(0.6)	4.1
Increase in debtors	(82.9)	(13.2)	(35.1)
Increase/(decrease) in creditors....	111.8	(7.9)	69.7
	886.4	627.9	604.6

Net cash inflow from operating activities for the year ended March 31, 1998 is stated after cash payments of £10.8m in relation to exceptional reorganization costs (1997 — £ nil; 1996 — £ nil).

27. Analysis of net debt

	April 1, 1997	Cash flow	Other non cash changes	Exchange movement	March 31, 1998
	£m	£m	£m	£m	£m
Liquid investments.............	10.6	(10.2)	—	—	0.4
Cash at bank and in hand....	31.2	(12.0)	—	(4.3)	14.9
Debt due within one year	(199.5)	(280.0)	(18.7)	9.1	(489.1)
Debt due after one year	(522.9)	0.9	(125.5)	4.3	(643.2)
	(680.6)	(301.3)	(144.2)	9.1	(1,117.0)

28. Directors

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

	1998	1997
	£000	£000
Salaries and fees...	2,288	2,430
Other benefits.......	155	226
	2,443	2,656

A former director, E J Peett, received £464,871 comprising cash payments of £458,334 plus benefits in kind with an estimated money value of £6,537 during the year. In addition, D J Henning who left the Board on June 30, 1996, received £168,452 comprising cash payments of £168,000 plus benefits in kind with an estimated money value of £452 in the year. More detailed information concerning directors' emoluments, shareholdings and options is shown in Item 11 "Compensation of Directors and Officers' and Item 12 "Options to purchase Securities from Registrants or Subsidiaries'.

E J Peett is Chairman of The Personal Number Company Plc which trades with Vodafone Value Added Services Limited, a subsidiary of Vodafone Group Plc. During the year sales from Vodafone Value Added Services Limited to The Personal Number Company Plc amounted to £0.9m (1997 — £0.9m) and purchases £0.7m (1997 — £0.6m). At the year end, The Personal Number Company Plc owed Vodafone Value Added Services Limited £0.1m (1997 — £0.1m). All transactions were conducted on commercial arms length terms.

29. Employees

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

	1998	1997	1996
	Number	Number	Number
Operations......................	2,432	1,851	1,647
Selling and distribution...	2,391	1,157	791
Administration	4,817	3,043	2,290
	9,640	6,051	4,728

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

	1998	1997	1996
	£m	**£m**	**£m**
Wages and salaries.....	223.1	150.3	112.1
Social security costs...	18.5	13.7	9.3
Other pension costs....	14.0	7.0	6.5
	255.6	171.0	127.9

30. Pensions

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

Defined benefit schemes

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

At April 1, 1995, the market value of the three principal schemes was £38.1 million 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 under UK GAAP for such schemes was £11.6m (1997 — £5.7m; 1996 — £5.0m).

A net prepayment under UK GAAP of £10.8m (1997 — £6.5m) is included in prepayments due after more than one year. This represents the excess of the amounts funded over the accumulated pension costs.

The pension funds are recharged with the cost of administration fees by the Group. The total amount recharged for the year to March 31, 1998 was £0.4m (1997 — £0.3m).

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

	1998	1997	1996
	£m	**£m**	**£m**
Service costs-benefits earned during this year.....	7.9	5.2	4.6
Interest costs on projected benefit obligation.......	5.4	4.4	3.5
Curtailment cost	—	0.2	—
Actual return on plan assets................................	(16.1)	(4.7)	(8.2)
Net deferred items	12.0	0.2	5.1
Net periodic pension cost	9.2	5.3	5.0

For 1998, 1997 and 1996, respectively, the discount rates used to determine the actuarial present value of the projected benefit obligation were 6.75%, 8.5% and 9%; the expected long-term rates of return on assets were 7.5%, 9% and 9%; and the expected long-term general salary growth was assumed to be 4.75%, 6.5% and 7% for the plans.

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

	1998 £m	1997 £m	1996 £m
Actuarial present value of benefit obligations:			
Vested benefit obligation	72.0	49.3	37.9
Non vested benefit obligation	1.5	1.0	0.8
Accumulated benefit obligation	73.5	50.3	38.7
Projected benefit obligation	87.0	59.4	48.6
Fair value of plan assets	97.5	65.8	49.7
Funded status	10.5	6.4	1.1
Unrecognised net (gain)/loss	(0.3)	(3.2)	0.2
Unrecognised net transition obligation	0.3	0.3	0.3
Prior period service cost	0.6	0.8	0.9
Prepaid pension cost	11.1	4.3	2.5

Plan assets comprise principally investments in discretionary segregated managed funds.

Defined contribution schemes

The pension cost for such schemes was £2.4m (1997 — £1.3m; 1996 — £1.5m).

31. Principal subsidiaries, associated undertakings and investments

Principal subsidiaries

Vodafone Group Plc had at March 31, 1998 the following subsidiaries carrying on businesses which principally affect the profits and assets of the Group.

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

Name	Activity	Country of incorporation or registration	Percentage shareholding
Vodafone Limited(1)......................................	Cellular network operator	England	100
Vodafone Distribution (Holdings) Limited	Holding company	England	100
Vodafone Corporate Limited........................	Service provider	England	100
Vodafone Connect Limited	Service provider	England	100
Vodafone (NI) Limited.................................	Service provider	Northern Ireland	100
Vodafone Retail (Holdings) Limited	Holding company	England	100
Vodafone Retail Limited	Holding company	England	100
Peoples Phone Limited..............................	Service provider	England	100
Astec Communications Limited................	Service provider	England	100
Vodafone Europe Holdings BV(1).................	Holding company	Netherlands	100
Telecell Limited	Cellular network operator	Malta	80
Vodafone Australasia Pty Limited	Holding company	Australia	100
Vodafone Network Pty Limited(2)............	Cellular network operator	Australia	91
Vodafone Pty Limited	Service provider	Australia	91
Talkland Retail Australia Limited...	Service provider	England(3)	91
Vodac Pty Limited(4)................................	Service provider	Australia	100
Vodacall Pty Limited(5)............................	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(6)	100
CV Gemeenschapplijk Bezit Libertel(7)	Holding partnership	Netherlands	70
Libertel Groep BV.....................................	Holding company	Netherlands	70
Libertel BV	Cellular network operator	Netherlands	70
Liberfone BV	Service provider	Netherlands	70
Data Holdings SA	Holding company	Greece	100
Panafon SA(1)(8)	Cellular network operator	Greece	55
Panavox SA(8)	Service provider	Greece	55
Vodafone Finance Limited.............................	Financial trading company	England	100
Vodafone Group Services Limited	Provision of central services	England	100
Vodafone Investments Limited	Holding company	England	100
Vodafone Paging (Holdings) Limited	Holding company	England	100
Vodafone Paging Limited	Radiopaging network operator	England	100
Page U.K. Limited..	Paging service provider	Scotland	50
Vodafone Satellite Services Limited	Globalstar satellite consortium	England	100
Vodafone Value Added Services Limited	Supply of value added services	England	100
Vodafone Data Network Limited	Packet radio network operator	England	100

1. Indirectly held.

2. Share capital consists of 62,428,159 ordinary shares, 117,598 redeemable preference shares and 2,941,641 A class shares of which 95.3% of the ordinary shares and 90.0% the redeemable preference shares were indirectly held by Vodafone Group Plc.

3. Incorporated in England, principle place of business Australia from April 1, 1998.

4. Share capital consists of 2 ordinary shares and 14,950 redeemable preference shares.

5. Share capital consists of 2 ordinary shares and 812 redeemable preference shares.

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

7. Partnership.

8. Statutory accounts drawn up to December 31 due to local statutory requirements.

Principal associated undertakings

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

Vodafone Group Plc had at March 31,1998 the following principal associated undertakings and investments:

Name	Activity	Percentage shareholding(1)	Par value of Issued equity	Latest financial accounts	Country of incorporation or registration
Celtel Limited(2)............	Cellular network operator	37	Shilling 6.0m	31.3.98 First period end is	Uganda
Comfone SA(2)..............	GSM billing and roaming bureau	50	CHF250,000	31.12.98	Switzerland
Europolitan Holdings AB(2)...........................	Holding company for Swedish cellular network operator	20	Skr 102.2m	31.12.97	Sweden
Martin Dawes Telecommunications Limited.........................	Service provider	20	£632,601	31.12.97	England
Mobile Telecom Group Limited(2)....................	Holding company	20	£7,000	31.3.98	England
Mobile Telecom PLC....	Service provider				England
Société Française du Radiotéléphone SA(2)............................	Cellular network operator	20	FFR 6,336.5m	31.12.97	France
Vodafone Fiji Limited(2)....................	Cellular network operator	49	F$6 million	31.12.97	Fiji
Vodacom Group (Pty) Limited(2)....................	Holding company	32	Rand 100	31.3.98	South Africa
Vodacom (Pty) Limited......................	Cellular network operator				South Africa
Vodac (Pty) Limited......	Service provider				South Africa
Vodacom Equipment Company (Pty) Limited......................	Supply of cellular radio telephone equipment				South Africa

1. To nearest whole percentage

2. Indirectly held

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

	1998	1997
	£m	£m
Assets		
Current assets	794.3	265.4
Investments and other assets	36.0	12.4
Property and equipment, net	1,507.1	796.9
	2,337.4	1,074.7
Liabilities and equity shareholders' funds		
Current liabilities	1,351.4	330.1
Long-term debt	374.1	214.1
Total equity shareholders' funds	611.9	530.5
	2,337.4	1,074.7
Turnover	2,000.4	936.0
Operating profit	48.6	85.0
(Loss)/profit on ordinary activities after taxation	(44.1)	47.5

Included in current liabilities and long-term debt are amounts owed to the Group, other shareholders of the associated companies and third parties. These providers of finance have also guaranteed certain borrowings of these associated companies. The Group's share of all associated companies' debt after deducting such amounts owed or guaranteed by the providers of finance amounted to £81.6m at March 31,1998 (1997 — £109.7m). Principal investments

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

Name	Activity	Percentage(1) shareholding	March 31, 1998 carrying value	Country of incorporation or registration
			£m	
E-Plus Mobilfunk GmbH(2)	Cellular network operator	17	41.2	Germany
Globalstar L.P.(3)	Development of satellite telecommunications service	6	20.6	USA

Notes

1. To nearest whole percentage

2. Indirectly held

3. Indirectly held partnership interest

At March 31, 1998 the group had long term investments (excluding investments in associated companies) with a net carrying amount of £64.1m (1997 — £422.9m). These investments are primarily untraded equity investments in foreign companies which are operating or developing cellular or satellite communication services. The Group is unable to assess the fair value of these investments. Although it should not be construed that the remaining interest in Globalstar L.P. could be disposed of for a price inputed from the following transaction, the Group disposed of a 2.1% interest in Globalstar L.P. on July 7, 1998 for a consideration of US $117 million. This reduced its interest on a fully diluted basis, from 5.2% to 3.1%. Based on the most recently available financial information, the Group's proportionate share in the net liabilities of these companies was £106.7m (1997, net assets — £28.7m), and the Group's proportionate share in the deficit of these companies was £51.5m (1997 — £75.7m). Long term investments do not include any valuation in respect of existing customer bases.

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

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

Goodwill

Under UK GAAP, the Group has written-off goodwill against shareholders' equity in the fiscal year of acquisition. Under US GAAP, goodwill must be capitalized and amortized against income over the estimated period of benefit, but not in excess of 40 years. Accordingly, goodwill is amortized over a period not exceeding 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's share in the fair value of the net assets at the date of the investment. For US GAAP purposes the Group capitalizes and amortizes goodwill over the estimated period of benefit. The Group's equity in earnings of the associated undertakings for US GAAP purposes is reduced by the amortization of such goodwill.

License fee amortization

Under UK GAAP, license fees are amortized in proportion to the expected usage of the network during the start up period and then on a straight line basis. Under US GAAP, license fees are amortized 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 tax rates applicable to the relevant future year.

Capitalization 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 capitalized during the period of construction until the date that the asset is placed in service. Such interest cost is amortized over the estimated useful life of the related asset.

Pension costs

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

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.

Defeasance of liabilities

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

Earnings per share

Earnings per share are calculated by dividing net income of £293.7m, £342.2m and £374.2m for the years ended March 31, 1996, 1997 and 1998 respectively, by 3,052,281,614, 3,060,400,713 and 3,073,032,493 which are the approximate weighted average number of ordinary shares outstanding for the years ended March 31, 1996, 1997 and 1998 respectively. Diluted earnings per share are based on diluted numbers of shares, assuming conversion of share options, in the year ended March 31, 1996, 1997 and 1998 of 3,060,553,804, 3,067,027,939 and 3,080,583,568 respectively.

Fixed assets

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

Impact of recently issued accounting standards

SFAS 130, "Reporting Comprehensive Income," is effective for financial years beginning after December 15, 1997. This statement established standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses). The impact of adopting this standard will not have a material impact on the company.

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for reporting financial and descriptive information for reportable segments on the same basis that is used internally for evaluating segment performance and the allocation of resources to segments. The Company is evaluating the effect, if any, SFAS 131 will have on its current disclosure. This statement is effective for fiscal years beginning after December 15, 1997.

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

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS establishes accounting and reporting standards for derivative instruments including requiring those instruments to be reported as either assets or liabilities at fair value and how changes in fair value from period to period should be reported. The statement also describes the conditions that need to be met for hedge accounting. The Company will be evaluating the effect, if any, SFAS 133 will have on its financial position and results from operations. SFAS 133 is effective for fiscal years beginning after June 15, 1999.

Stock based compensation

SFAS 123, "Accounting for stock based compensation", is effective for fiscal years beginning after December 15, 1995. The standard establishes a fair value based method of accounting for stock based compensation plans and encourages the recognition of the compensation cost on this basis in the income statement. Where the cost is not recognised, the proforma effect of the valuation method on net income must be disclosed. Under UK GAAP the compensation element is not required to be recognised in net income. The disclosure only provisions of SFAS 123 have been adopted.

At March 31, 1998 there were 21,445,626 options outstanding with a weighted average exercize price of £2.32 with a range of exercize prices from £0.87 to £2.93. These options had an outstanding weighted average life remaining of 19 months. Of these options 2,663,078 were exercizable at March 31, 1998 at a weighted average price of £1.51 with a range of exercize price from £0.87 to £1.76. The per share weighed average fair value of share options granted during 1998 was £1.13 on the date of grant using the Black Scholes option pricing model with the following weighted-average assumptions — implied volatility 27.25%, expected dividend yield 1.73%, and a risk free interest rate of 7.09%. Had compensation cost been determined based upon the fair value of the stock options at grant date consistent with SFAS 123 the Group's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1998
Net income	
As reported...........	£374.2m
Pro forma	£368.2m
Earnings per share	
As reported...........	12.18p
Proforma	11.98p

Consolidated statements of cash flows

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

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

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

	1998 £m	1997 £m	1996 £m
Cash was provided by (used in):			
Operating activities..	975.0	585.1	540.9
Investing activities	(871.1)	(810.1)	(446.8)
Financing activities..	(126.1)	257.6	(99.3)
Net (decrease)/increase in cash	(22.2)	32.6	(5.2)
Exchange movement	(4.3)	(1.5)	—
Cash at the beginning of year...	41.8	10.7	15.9
Cash at the end of year...	15.3	41.8	10.7

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

	1998 £m	1997 Restated £m	1996 Restated £m
Operating activities			
Net cash inflow from operating activities (UK GAAP)...............	886.4	627.9	604.6
Tax paid	(162.9)	(150.1)	(127.1)
Net interest (paid)/received	(43.4)	7.5	19.2
Increase in short term borrowings	294.9	99.8	44.2
Net cash provided by operating activities (US GAAP)	975.0	585.1	540.9

	1998 £m	1997 £m	1996 £m
Investing activities			
Net cash outflow from capital expenditure, financial investments and acquisitions and disposals (UK GAAP)	(874.0)	(818.0)	(452.9)
Sale of short term investments	—	1.9	—
Dividends from associated undertakings...	2.9	6.0	6.1
Net cash used in investing activities (US GAAP)	(871.1)	(810.1)	(446.8)

	1998 £m	1997 £m	1996 £m
Financing activities			
Net cash inflow from financing activities (UK GAAP).......................	292.9	487.4	51.5
Increase in short term borrowings	(294.9)	(99.8)	(44.2)
Dividends paid..	(124.1)	(130.0)	(106.6)
Net cash (used in)/provided by financing activities (US GAAP)........	(126.1)	257.6	(99.3)

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

	1998	1997	1996
	£m	£m	£m
Net income and earnings per share			
Net income as reported in accordance with UK GAAP	418.8	363.8	309.8
Items (decreasing)/increasing net income:			
Goodwill amortization	(62.0)	(23.0)	(15.9)
Profit on disposal of fixed asset investments	14.5	—	—
Deferred income taxes	3.0	2.8	4.3
Other	(0.1)	(1.4)	(4.5)
Net income in accordance with US GAAP	374.2	342.2	293.7
Basic earnings per share in accordance with US GAAP	12.18p	11.18p	9.62p
Diluted earnings per shares in accordance with US GAAP	12.15p	11.16p	9.60p

Under US GAAP, the net gain on disposal of fixed asset investments of £24.9m (1997 — £25.9m, 1996 — £7.2m) would be included within operating income.

	1998	1997
	£m	£m
Shareholders' equity		
Shareholders' equity as reported in accordance with UK GAAP	282.5	770.0
Items increasing/(decreasing) shareholders' equity:		
Goodwill — net of amortization	1,136.7	582.5
License fee amortization	(10.7)	(13.9)
Cumulative deferred income taxes	(43.3)	(72.7)
Proposed dividends	86.9	75.3
Minority interest	(7.9)	—
Other	(4.7)	(4.3)
Shareholders' equity in accordance with US GAAP	1,439.5	1,336.9

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

	1998	1997
	£m	£m
Total assets		
Total assets as reported in accordance with UK GAAP	2,502.3	2,421.8
Items increasing/(decreasing) total assets:		
Goodwill — net of amortization	1,136.7	582.5
Defeased liabilities	340.5	—
Deferred tax asset	57.0	30.9
License fee amortization	(10.7)	(13.9)
Other	0.2	(2.1)
Total assets in accordance with US GAAP	4,026.0	3,019.2

Financial Statement Schedule II

Valuation and Qualifying Accounts

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

Signatures

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

VODAFONE GROUP PUBLIC LIMITED COMPANY

/s/ CC GENT

CC Gent
Chief Executive

Date: July 21, 1998