

**Registered No:  
1967931**

**VODAFONE DISTRIBUTION LIMITED**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED**  
**31 MARCH 2004**



# **VODAFONE DISTRIBUTION LIMITED**

## **REPORT OF THE DIRECTORS**

The Directors submit their annual report and audited financial statements for the year ended 31 March 2004.

### **Principal activities and review of business**

The Company's principal activities during the year continued to be the distribution of mobile cellular equipment. The Company ceased distribution of the Pay As You Talk (PAYT) top up cards in the year.

### **Results and dividends**

The profit and loss account is set out on page 7 of the financial statements and shows a loss after taxation of £952,000 (2003 - £30,539,000 profit).

The Directors do not recommend the payment of a dividend (2003: £nil).

### **Directors**

Directors who served throughout the year are as follows:

Mr E Langston

Changes in Directors within the year and since the year end were as follows:

	Date of appointment	Date of resignation
Mr S Brewer		22nd August 2003
Mr G Darby	1st September 2003	1st April 2004
Mr N J Read	1st September 2003	
Mr E Tournon	10th January 2005	
Mr J R Townsend	15th December 2003	13th January 2005
Mr W T Morrow	1st February 2004	

# VODAFONE DISTRIBUTION LIMITED

## REPORT OF THE DIRECTORS (CONTINUED)

### Directors' interests in the shares of Vodafone Group Plc

Given below are details of the interests in the ordinary shares of Vodafone Group Plc at 31 March 2004 of directors of the Company.

	Ordinary Shares		Ordinary Share Options			
	31 March 2004	1 April 2003 or later date of appointment	(Note 1) 31 March 2004	(Note 1) 1 April 2003 or later date of appointment	(Note 2) 31 March 2004	(Note 2) 1 April 2003 or later date of appointment
Mr G J Darby	31,044	28,473	9,706	10,456	1,680,391	1,264,144
Mr E Langston	300,701	132,581	23,336	23,336	982,886	932,044
Mr W T Morrow	78,650	79,570	0	0	3,017,290	3,017,290
Mr N J Read	0	0	9,706	0	629,961	409,836
Mr J R Townsend	100,354	99,800	0	0	602,583	471,766

(1) Options granted under the terms of the Vodafone Group Plc Savings Related Share Option Scheme and the Vodafone Group 1998 Sharesave Scheme.

(2) Options granted under the terms of the Vodafone Group Plc Executive Share Option Scheme, the Vodafone Group Plc Share Option Scheme, the Vodafone Group 1998 Executive Share Option Scheme, the Vodafone Group 1998 Company Share Option Scheme and the Vodafone Group Plc 1999 Long Term Stock Incentive Plan.

In addition to the above interests in the ordinary shares and share options of Vodafone Group Plc, the following directors also had beneficial interests in shares receivable under the Group's Long Term Incentive Plan ("LTIP") and Short Term Incentive Plan ("STIP") as shown:

	LTIP		STIP	
	31 March 2004	1 April 2003 or later date of appointment	31 March 2004	1 April 2003 or later date of appointment
Mr G J Darby	815,112	510,140	484,175	193,460
Mr E Langston	507,413	329,845	0	96,944
Mr N J Read	58,052	0	0	0
Mr J R Townsend	0	0	108,173	107,796

## **VODAFONE DISTRIBUTION LIMITED**

### **REPORT OF THE DIRECTORS (CONTINUED)**

#### **Directors' interests in the shares of Vodafone Group Plc (continued)**

Details of these schemes are included in the Board's Report to Shareholders on Directors in Vodafone Group Plc's Annual Report and Accounts for the year ended 31 March 2004.

None of the Directors held beneficial interests in the shares of Vodafone Distribution Limited or in the shares of any other Group company in the current or preceding financial year, except as noted.

#### **Creditor Payment terms**

Supplier payment responsibilities were transferred to another group undertaking during the year.

#### **Statement of Directors' responsibilities**

United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **VODAFONE DISTRIBUTION LIMITED**

### **REPORT OF THE DIRECTORS (CONTINUED)**

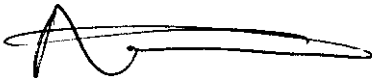
#### **Auditors**

The Company has passed an elective resolution under Section 386(1) of the Companies Act 1985 to dispense with the obligation to appoint auditors annually.

#### **Registered Office**

The registered office of the Company is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.

Approved by the Board of Directors and signed on behalf of the Board.



N Read  
Director

28 January 2005

# **INDEPENDENT AUDITORS' REPORT**

**to the members of**

## **VODAFONE DISTRIBUTION LIMITED**

We have audited the financial statements of Vodafone Distribution Limited for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

### **Basis of audit opinion**

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

# INDEPENDENT AUDITORS' REPORT

to the members of

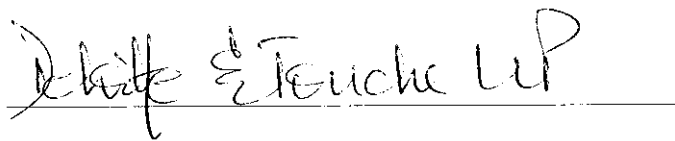
## VODAFONE DISTRIBUTION LIMITED

### Basis of audit opinion (continued)

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read "Deloitte & Touche LLP", is written over a horizontal line.

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

28 January 2005

# VODAFONE DISTRIBUTION LIMITED

## PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2004 £'000	2003 £'000
Turnover		<u>896,082</u>	<u>941,105</u>
Operating profit	2	34,008	43,736
Interest payable	3	33,530	-
Profit on ordinary activities before taxation		<u>478</u>	<u>43,736</u>
Tax on profit on ordinary activities	6	(1,430)	(13,197)
(Loss)/Profit on ordinary activities after taxation	13	<u>(952)</u>	<u>30,539</u>
Retained (loss)/profit for the financial year		<u><u>(952)</u></u>	<u><u>30,539</u></u>

All activities relate to continuing operations.

There are no recognised gains or losses, or movements on shareholders' funds, in the current financial year and preceding financial year, other than the result for the year.



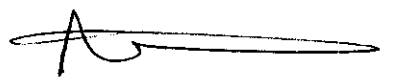
# VODAFONE DISTRIBUTION LIMITED

## BALANCE SHEET

AT 31 MARCH 2004

	Notes	2004 £'000	Restated 2003 £'000
Fixed assets			
Intangible assets	7	-	5,685
		-	5,685
Current assets			
Stocks	8	48,309	42,032
Debtors	9	472,441	390,099
		520,750	432,131
Creditors: amounts falling due within one year	10	(550,587)	(466,701)
NET CURRENT LIABILITIES		(29,837)	(34,570)
TOTAL ASSETS LESS CURRENT LIABILITIES		(29,837)	(28,885)
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Reserves	13	(29,837)	(28,885)
EQUITY SHAREHOLDERS' DEFICIT		(29,837)	(28,885)

The financial statements on pages 7 to 14 were approved by the Board of Directors on 28 January 2005, and were signed on its behalf by:



Director

N Read

**VODAFONE DISTRIBUTION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2004**

**1 Basis of accounting**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. The accounting policies have been applied on a consistent basis during the year and the preceding year. Certain balance sheet accounts have been restated for the grossing up of inter company balances.

**Accounting convention**

The financial statements have been prepared under the historical cost convention.

**Turnover**

Turnover represents sales of cellular equipment, accessories and Pay As You Talk (PAYT) vouchers and is stated net of valued added tax.

**Goodwill**

Goodwill representing the difference between the cost and the fair value of the net assets of the businesses acquired is capitalised. Amortisation will be provided on cost so as to amortise that cost over its expected useful life currently calculated at three years.

**Stocks**

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

**Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those which are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Cash flow**

*In accordance with the provisions of Financial Reporting Standard 1 (Revised), a cash flow statement has not been prepared since the Company is a wholly owned subsidiary of Vodafone Group Plc, a company incorporated in England, which prepares consolidated accounts that include a consolidated cash flow statement.*

**VODAFONE DISTRIBUTION LIMITED**  
**NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 MARCH 2004**

**2 Operating profit**

	2004 £'000	2003 £'000
Turnover	896,082	941,105
Cost of Sales	(833,855)	(873,151)
Gross Profit	<u>62,227</u>	<u>67,954</u>
Selling and distribution costs	(15,079)	(6,156)
Administrative expenses	(13,140)	(18,062)
	<u>(28,219)</u>	<u>(24,218)</u>
Operating profit	<u><u>34,008</u></u>	<u><u>43,736</u></u>

All salary costs, overheads and auditors' remuneration (which cannot be separately identified) were recharged by a group undertaking in the form of a management charge of £22,533,156 (2003: £16,637,061).

Operating profit is stated after charging amortisation of £5,685,479 (2003: £7,581,000) which has

**3 Interest payable**

	2004 £'000	2003 £'000
Interest payable and similar charges		
Group	33,530	-
	<u><u>33,530</u></u>	<u><u>-</u></u>

**4 Directors and employees**

The Company does not employ any personnel (2003: none).

None of the Directors who served during the year ended 31 March 2004 or the previous financial year received emoluments from the Company for their qualifying services to it. Mr E Langston was remunerated for his services to the Group by the United Kingdom based group company, Vodafone Limited and his emoluments are disclosed within those financial statements. It is not practicable to determine how much has been paid in respect of his services to Vodafone Distribution Limited.

**5 Investments**

	Principal Activity	Holding and Voting %
Talkland Scotland Limited	Non-trading	100.0
Talkland Scotland Limited is incorporated and registered in Scotland. The value of the investment is £1.		

# VODAFONE DISTRIBUTION LIMITED

## NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 6 Tax on profit on ordinary activities

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003: 30%)	(1,842)	(13,554)
Adjustments in respect of prior periods	840	-
Total current tax	(1,002)	(13,554)
Deferred tax: origination and reversal of timing differences	(428)	357
	(1,430)	(13,197)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current and previous year differs from the tax charge at the standard rate for the reasons set out in the following reconciliation:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	478	43,736
Tax on profit on ordinary activities before tax at standard rate of 30%	(143)	(13,121)
Factors affecting tax charge for the year:		
Accelerated capital allowances	7	-
Tax losses brought forward utilised	-	1,923
Goodwill amortisation	(1,706)	(2,274)
Other timing differences	-	(82)
Adjustments to tax charge in respect of previous periods	840	-
Current tax (charge)/credit for the year	(1,002)	(13,554)

The elements of deferred taxation are shown in note 11 to the accounts.

# VODAFONE DISTRIBUTION LIMITED

## NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 7 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 April 2003 and 31 March 2004	<u>22,742</u>
Amortisation	
At 1 April 2003	(17,057)
Charge for the year	<u>(5,685)</u>
At 31 March 2003	<u>(22,742)</u>
Net Book Value	
At 31 March 2004	<u>-</u>
At 31 March 2003	<u>5,685</u>

#### 8 Stocks

	2004 £'000	2003 £'000
Telephone equipment for resale	48,309	42,032
	<u>48,309</u>	<u>42,032</u>

#### 9 Debtors

	2004 £'000	Restated 2003 £'000
Trade debtors: due within one year	-	297
Amounts owed by group undertakings	456,150	381,981
Deferred taxation asset (see note 11)	23	451
Other debtors including taxation and social security	13,996	-
Prepayments and accrued income	<u>2,272</u>	<u>7,370</u>
	<u>472,441</u>	<u>390,099</u>

# VODAFONE DISTRIBUTION LIMITED

## NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 10 Creditors: amounts falling due within one year

	2004	Restated 2003
	£'000	£'000
Bank overdrafts	-	47
Trade creditors	987	2,769
Amounts owed to group undertakings	539,060	437,061
Other creditors including taxation and social security	1,842	15,643
Accruals and deferred income	8,698	11,181
	<u>550,587</u>	<u>466,701</u>

#### 11 Deferred Taxation

	2004	2003
	£'000	£'000
The elements of the deferred taxation asset are as follows:		
Accelerated capital allowances	23	31
Other timing differences	-	420
	<u>23</u>	<u>451</u>

Deferred tax assets and liabilities have not been discounted.

The movements in the deferred taxation balances were as follows:

	2004	2003
	£'000	£'000
Asset at beginning of period	451	94
Amount credited to profit and loss account	(428)	357
Asset at end of period	<u>23</u>	<u>451</u>

The current rate of UK Corporation tax of 30% (2003:30%) has been used to calculate the amount of deferred taxation.

# VODAFONE DISTRIBUTION LIMITED

## NOTES ON THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MARCH 2004

#### 12 Called up share capital

	2004 £'000	2003 £'000
Authorised:		
100,000 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
Allotted and fully paid:		
206 ordinary shares of £1 each	-	-
	<u>-</u>	<u>-</u>

#### 13 Reserves

	2004 £'000
Profit and loss account	
Balance at 1 April 2003	(28,885)
Retained loss for the year	(952)
	<u>(29,837)</u>
Balance at 31 March 2004	<u>(29,837)</u>

#### 14 Related party transactions

The Company has taken advantage of the exemption granted by paragraph 3(c) of FRS 8, Related Party Disclosures, not to disclose transactions with Vodafone Group Plc group companies or interests of the Group who are related parties.

#### 15 Ultimate parent company

The immediate parent company of Vodafone Distribution Limited is Vodafone UK Limited, incorporated in England. The ultimate parent company and controlling entity of Vodafone Distribution Limited and the smallest and largest group which prepares consolidated financial statements and of which the Company forms a part, is Vodafone Group Plc, a company incorporated in England. As a wholly owned indirect subsidiary of a company registered in England, for which Group accounts are prepared, Vodafone Distribution Limited has taken advantage of Section 228 of the Companies Act 1985 and has not prepared consolidated accounts and accordingly these accounts present information about the company as an individual undertaking and not its group.

A copy of the financial statements of Vodafone Group Plc may be obtained from the Company Secretary, Vodafone Group Plc, Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, England.