VODAFONE LIMITED

Company No: 01471587

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

VODAFONE LIMITED

Company No: 01471587

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STRATEGIC REPORT

The directors present their strategic report for the year ended 31 March 2020.

Review of the business and future developments

The overall strategy of Vodafone Limited (the 'Company') is aligned to that of Vodafone Group Plc ('the Group'), which is outlined in the Group Strategic Review in the Group's Annual Report for the year ended 31 March 2020; it does not form part of this report.

Key financial performance indicators for the Company include service revenue, operating result, adjusted EBITDA and average revenue per user ('ARPU'). Other non-financial key performance indicators include customer numbers and contract churn. Further details are available in the Group Annual Report and associated press release.

Service revenue increased 0.7%, supported by Fixed and Mobile customer base growth which was partially offset by lower wholesale revenue and a 0.4 percentage point drag from international call rate regulation.

Mobile service revenue increased 0.4% and grew further when excluding the impact of international call rate regulation, with a higher customer base and price increases (including RPI-linked) being partially offset by lower out-of-bundle revenue as a result of spend capping. We added 385,000 contract customers in the year, supported by our new range of commercial plans including speed-tiered 'Vodafone Unlimited' mobile data propositions and our 5G launch in July. We also added 475,000 prepaid customers, supported by our digital sub-brand VOXI.

Fixed service revenue increased by 1.7%. Continued good customer growth in Consumer broadband, supported by the launch of our 'Vodafone Together' convergent plans, and growth in Business was partially offset by lower wholesale revenues. We added 176,000 broadband customers in the year.

Adjusted EBITDA increased by 15.7% and the adjusted EBITDA margin increased to 23.1%. This improvement was driven by service revenue growth, a reduction in operating expenses and a 2.0 percentage point benefit to growth from: one-off license fee settlements and a reallocation of costs from capex to cost of sales following our new cloud partnership with IBM.

An operating loss of £351.5m (2019: £676.8m loss) was incurred during the year.

	2020 £m	2019 £m
Revenue		
Service revenue	4,371.7	4,339.7
Other revenue	1,285.9	1,173.2
Adjusted EBITDA	**1,304.7**	**1,127.7**
Depreciation and amortisation[1]	(1,206.2)	(1,253.0)
Adjusted operating profit/(loss)	**98.5**	**(125.3)**
Other expenses[2]	(450.0)	(551.5)
Operating loss	**(351.5)**	**(676.8)**
Net financing costs	(23.5)	(2.7)
Income tax	148.8	92.3
Loss for the financial year	**(226.2)**	**(587.2)**

[1] Depreciation of right of use assets under IFRS 16 included within Adjusted EBITDA

[2] Restructuring costs, interest on lease liabilities and group recharges deemed non-operational

Financial position and liquidity

The Statement of Financial Position on page 19 of the financial statements shows the Company's overall financial position at the end of the year.

The major source of liquidity for the Company comes from the cash generated from trading activities. The Group treasury function provides a centralised treasury service to the Company, including managing its liquidity risk, market risk (interest rate management and foreign exchange management) and credit risk and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management.

The Company closed the year with cash of £24.3m (2019: £32.5m), including its share of amounts held in its joint operation (Cornerstone Telecommunications Infrastructure Limited) of £15.8m (2019: £11.0m). Excess funds are loaned to the Group under cash sweep arrangements. During September 2019 and March 2020 the sale of handset receivables realised cash of £75m and £535m, respectively.

For further details of current and long term amounts payable to and due from the parent Company and fellow subsidiary undertakings, see notes 12, 13 and 14 of the financial statements.

Principal risks and uncertainties

The Company has a clear framework for identifying and managing risk, both at an operational and strategic level. The Company has a dedicated Risk team that coordinates risk management across the Company's business, alongside an established Audit and Risk Committee that is chaired by the Group Financial Controller and members of the Company's General Management Team. Additional oversight of the Enterprise Risk Management Framework is also provided by Vodafone Group Risk.

The Principal Risks and uncertainties for the Company and mitigating factors are as follows:

a) *Risk: Failure to protect customer information*
We host a significant quantity of varying types of customer data in both our Business and Consumer segments. Hardware and software applications include security features which are reviewed by our technology and corporate security functions to ensure compliance with our policies, security standards and UK GDPR requirements.

b) *Risk: Malicious Cyber Threat*
We recognise the continuing threat of malicious data loss or outages as a consequence of cyber-crime. This is mitigated by continuous monitoring of our IT infrastructure to identify threats and potential areas of weaknesses.

c) *Geo-Political Trade Wars Impacting Supply Chain*
We operate and develop complex infrastructure in the UK. Our networks and systems are dependent on a wide range of suppliers internationally. As a result of Geopolitical pressures and subsequent UK Government action, the Company is required to replace Huawei manufactured network equipment by 2027 and must not purchase new equipment from January 2021. Although this creates financial and 5G deployment disruption, the 2027 timeframe can be achieved through a natural lifecycle management program.

d) *Risk: Significant Outage to our Network or IT Systems*
Major failure or malicious attack on our network or IT systems may result in service interruption and consequential customer and revenue loss. Specific back-up and resilience requirements are built into our networks combined with regularly tested business continuity and disaster recovery plans.

Covid-19:

At the start of the Covid-19 crisis we outlined our rapid, comprehensive and co-ordinated five-point plan to support society and help save lives. Our priorities were to maintain the quality of our networks, support essential services, and keep people working, communicating, and able to access education and essential information. Through our essential network infrastructure, we have kept people and communities connected. We have supported those affected by the crisis through direct contributions and services in-kind.

We led the way in keeping our employees and customers safe by moving more than 95% of staff to work from home, including call centre and retail staff. We closed all of our retail stores on 23rd March 2020 in line with UK government guidelines after keeping stores open as long as we could to help our customers that had a strong preference to deal with us in person.

We supported critical national infrastructure by connecting all Nightingale Hospitals, creating a virtual contact centre for over 1,000 retired health workers, GPs and clinicians to support NHS 111 and Covid-19 services, increased urgently-needed bandwidth for NHS hospitals and mobilised many thousands of employees to work from home for our Business customers.

We supported our customers and key workers by offering free unlimited data to NHS staff, care workers and vulnerable customers, free access to NHS 111 online services to all of our customers and payment plans for customers in financial difficulty as a result of Covid-19.

As lockdown measures were eased by the UK government, we reopened our retail stores in a phased approach ensuring both employee and customer safety remained our #1 priority.

As we look at the challenging economic period ahead, just as we were there for the emergency response phase, we are committed to playing a key role in supporting the UK's economic and social recovery. As a result, we have evolved our five-point plan and identified five key areas where we can clearly prioritise activity and support the government's digital agenda. These are:

- Expand and future-proof our network infrastructure with next-generation fixed line and mobile technologies
- Further support government as they seek to integrate e-Health and e-Education solutions into their "new normal" public service frameworks
- Enhance digital access for the most vulnerable and support digital literacy
- Promote the widespread adoption of digital technologies for all businesses, with a particular emphasis on SMEs
- Support government exit strategies through targeted deployment of digital technology.

The Company has demonstrated its resilience and ability to operate at speed to meet the changing needs of our customers and of the UK during the Covid-19 crisis. The table on the next page outlines the primary impacts to the Company resulting from the crisis and the measures taken to mitigate them.

Matter to consider	Impact / Risk	Mitigation	Conclusion
Revenue	• Travel restrictions in the UK and many parts of the world have resulted in reduced roaming and visitor revenues • UK store closures reduce the opportunity to acquire new and upgrade existing customers • Businesses close during lockdown impacting on-site fixed project revenues	• Mobilised all contact centre and retail staff to work from home. Utilising existing digital journeys allowing existing customers to upgrade and new customers to join • Adapting stores to safely reopen and manage sales process under new social distancing guidelines • Accelerated project work for customers where possible • Brought to market new products and services to meet changing needs of customers due to Covid-19	• Significant increase in digital sales during lockdown period • Recorded lowest ever churn rates in Mobile and Fixed in the 6 months to June '20 • Adapted quickly to Business customer demands to allow workforces to work from home • Reduction in roaming and visitor revenues partially mitigated by a reduction in associated costs • Impacts are incorporated in forward-looking forecasts
Liquidity	• Financing becomes more expensive and unavailable in the current climate	• Liquidity forecast produced as part of the regular near-term and long-term forecasting process with review and approval of senior leadership. This included revision of the budget for FY21and Long Range Plan	• No liquidity concerns
Collections	• Increased bad debt as more customers unable to pay their bills, due to furlough / unemployment	• Introduction of payment plans for customers finding it difficult to pay their bills • Appropriate provisions in place and regularly reviewed	• Customers on payment plans are monitored and remain within forecast levels • Impacts are incorporated in forward-looking forecasts
Cost control / Capital allocation	• Spend is not reviewed following Covid-19 outbreak	• Dedicated ongoing spend management programme already in place and reviewed following Covid-19, ongoing monthly review • Capital plans reviewed and adjusted accordingly	• Robust cost control and capital management measures in place • Impacts are incorporated into forward-looking forecasts

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STRATEGIC REPORT (continued)

Matter to consider	Impact / Risk	Mitigation	Conclusion
Forecasting	• Forecasts do not consider impacts of Covid-19	• Established, regular near term and long term forecasting process in place with review and approval of senior leadership. This included revision of budget for period ending 31st March 2021 and Long Range Plans • Performance against forecasts are actively monitored and forecasts are updated where necessary	• Forecasts are reflective of current market conditions including Covid-19 impacts
Network Resilience	• Network unable to withstand increased voice / data traffic resulting in reduction in service quality / loss of service	• Network performance actively monitored and managed during Covid-19 outbreak with robust planning procedures in place to highlight anticipated increased demands • Additional network capacity made available to cope with increased network demand	• Increased network demands planned for and met with no loss of service to customers

UK Streamlined Energy and Carbon Reporting ('SECR'):

In accordance with SECR requirements, the below table provides a summary of GHG emissions and energy data for the Company during the year ending 31 March 2020.

	2020
GHG emissions (Scope 1 and 2) (m tonnes CO2e)	0.09
GHG emissions per petabyte ('PB') of mobile data carried (tonnes of CO2e)	120
Total energy consumption (GWh)	709

172(1) Statement

In accordance with section 172 of the Companies Act 2006 each of the directors acts in the way that he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole.

All board meeting papers are required to address each of the matters noted below, if relevant, and adequate time is provided in board meetings for the directors to discuss these matters and request clarification or further information from management.

- The probable consequences of any decisions in the long-term
- The interests of the workforce
- The need to foster the Company's business relationships with suppliers, customers and other key stakeholders
- The potential impact of the Company's operations on communities and the environment
- The need to protect Vodafone's reputation for high standards of business conduct

Stakeholder engagement

The Company takes stakeholder engagement seriously, because it appreciates the fundamental need to build a holistic view of its business to promote a strategy which takes account of the broader operating environment. Directors benefit from improved insight into the needs of our stakeholders, provoking discussion of the potential risks and opportunities for our business in satisfying those needs, and understanding the potential impact of decisions on affected stakeholders. Better insight and diversity of perspectives leads to more productive and balanced board of directors' discussions on complex issues and, as a result, decisions are well-considered.

All board meeting papers relating to a principal decision are required to state whether, and to what extent, any key stakeholder group has an interest in the matter. Adequate time is provided in board meetings for the directors to consider and discuss the interests of stakeholders and request clarification or further information from management.

Our board of directors is committed to engaging with stakeholders directly wherever possible. Provided below is an overview of the Board's engagement with our key stakeholder groups during the year.

People:

A number of engagement and feedback mechanisms for our employees are well established at the Company which are discussed further within the Director's Report under Employee Involvement and Commitment.,

In response to Covid-19 changing the way we work, we quickly introduced a pulse survey which regularly seeks the views of our employees. It was encouraging to see strong levels of engagement and positive themes highlighted. These themes were communicated back to employees and fed into updates on our Covid-19 response.

Suppliers:

The Company is part of the wider Vodafone Group, and operates under a global supply chain management function. Nick Read the Group CEO held a meeting with key suppliers in California to talk about challenges to the industry, to develop an improved understanding of their views and to identify future commercial opportunities. He reported his findings to the Group Board, highlighting that our suppliers are aligned with us on their future aspirations to invest in robust 5G technology and to develop enterprise and mobile edge computing.

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STRATEGIC REPORT (continued)

Community & Environment:

The Company's board of directors has consistently championed and engaged in furthering our impact in the community through our company purpose activity, to connect a better future. This means we're creating a digital society which is sustainable and leaves no one behind. The community impact is demonstrated through our award winning tech for good programmes and by developing and rolling out technologies that have transformed lives (DreamLab, No Isolation, Mencap, Bright Sky & TecSOS). Additionally, we have provided invaluable resources to parents and schools through our Digital Parenting resources.

In our response to our environmental impact, our board has committed to halving our footprint by 2025. We have committed to reduce Greenhouse Gas emissions by 50%, move to 100% renewable electricity and achieve zero e-waste to landfill all by 2025.

The Strategic Report was approved by the by the Board on 15 February 2021 and signed on its behalf by:

E Tournon
Director

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2020.

Principal activity

The principal activity of the Company is the provision of telecommunication services in the UK through its mobile and fixed networks.

Results and dividends

For year ended 31 March 2020, the Company reported a loss for the financial year of £226.2m (2019: £587.2m). The Income Statement set out on page 17 of the financial statements summarises the trading, interest and tax components of the loss. No interim dividend was paid (2019: £nil) and no final dividend is proposed (2019: £nil).

Future developments

The future development of the business has been outlined in the Strategic Report.

Directors

The directors of the Company, who served throughout the year and to the date of this report, are as follows:

N Jeffery
H Lamprell
E Tournon

Registered office and company domicile

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

The Company is a private limited company, is incorporated in England and Wales, and domiciled in the United Kingdom (Company number 01471587).

Financial risk management

The Company follows Group policy to manage its financial risks which include liquidity risk, market risk (interest rate management and foreign exchange management) and credit risk. The Group's treasury function provides a centralised service to the Group, including the Company, and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management.

There has been no significant change during the financial year to the types of financial risks faced by the Company, or the Company's approach to the management of those risks.

Further details of the Group's policies can be found in the annual report and financial statements of the Group, the ultimate parent undertaking, for the year ended 31 March 2020, which does not form part of this report.

Going concern

The directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2.

The directors have reviewed the financial performance and position of the Company and have assessed the monthly cashflow forecasts through to March 2022. They considered a range of possible downside scenario's including the impact of COVID-19, and concluded that these would have no significant impact on the going concern conclusion.

The directors noted that the Company's £1,657.3m cash is held in a call deposit account as part of the Vodafone Group plc cash pooling arrangement. Per the terms of the arrangement, the directors have control of this deposit and draw down upon this balance when needed.

The directors also noted the £2,736.7m current intercompany liabilities which are repayable on demand. The directors have received a letter of support from Group, which offers refinancing in the event that these liabilities are called upon. As such, the directors do not expect a net cash outflow as a result of these in the going concern period.

Having considered the overall financial position of the Group, as set out in its Interim Financial Statements for the 6 months ended 30 September 2020, the directors are satisfied that the Group has sufficient liquidity for the Company to continue to access the cash balance held in its call deposit account and the ability of the group to provide any refinancing needed.

On the basis of their assessment, the directors of the Company expect that the Company will be able to continue in operational existence for the for the period up to and including March 2022, and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Employee involvement and commitment

Employee involvement and commitment is encouraged throughout the Company and is the responsibility of the board of directors.

To ensure consistent and meaningful engagement, the Directors engage regularly and directly with employees via Listen Live, a regular virtual interactive session run by our CEO and General Management Team, via an internal social media platform. We provide regular updates on the UK strategic priorities, financial results and it provides a forum for employees to ask questions directly of our directors. Our Directors are also kept informed of employee feedback via regular employee surveys and receive feedback on important employee matters relating to the Company.

The Company also recognises the importance of providing information to, and consulting with, its employees about workplace issues, such as company policies, health & safety and matters affecting terms and conditions of employment. The Employee Consultation Council ("the ECC") was established in 2014 as the primary mechanism for informing and consulting upon such matters. In recognition of the significant number of UK based employees of other companies within the Group, the ECC also operates as an information and consultation forum for those employees.

In the last couple of weeks of our financial year the country entered the Covid-19 lockdown, which resulted in the vast majority of our employees working from home. During this time it has been all the more important to ensure that everyone feels connected, engaged and valued. We have achieved this through frequent Company wide and business area specific updates, presentations and meetings and by making use of our online social forums to host things like quizzes, virtual 'tea breaks' and activities which employees and their families can all engage in.

The directors of the Company are committed to the principle of employee share participation, providing employees with the opportunity to acquire Group's shares on an advantageous basis operated under HM Revenue & Customs approved share scheme arrangements. This opportunity is provided through the Sharesave programme.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when policy decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the range of channels outlined above.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability and we will consider all reasonable adjustments to achieve that aim.

Corporate governance arrangements

As a wholly owned subsidiary of the Group, a company subject to the 2018 Corporate Governance Code (the 'Code'), the Company has chosen not to adopt and report against the Code and, whilst we fully support the Wates Corporate Governance Principles for Larger Private Companies, the directors feel that they are less appropriate for the Company.

The Group maintains a group-wide Delegations of Authority and Entity Governance Policy which are designed to ensure the effective governance of all the Group's related undertakings, including the Company. In addition the Company has adopted local policies expanding upon and providing guidance for the implementation of the Group-wide policies (collectively, the "Policies"). The Company has therefore adopted the Policies as the corporate governance principles and arrangements of the Company, which the directors believe are appropriate for the Company.

The Policies aim to ensure effective decision-making to promote the Company's success for the long term and for the benefit of the Group and the Company's wider stakeholders by (i) providing checks and balances on financial and other information, (ii) encouraging constructive challenge to the Company's management (in addition to advice and support) and (iii) ensuring timely and high quality information is received by the directors.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006.

Indemnification of directors

In accordance with the Company's articles of association and to the extent permitted by law, the directors may be granted an indemnity by the Company in respect of liabilities incurred as a result of their office. In respect of those matters for which the directors may not be indemnified, the Group maintains a directors' and officers' liability insurance policy throughout the financial year, and up to the date of approval of the financial statements. This policy is renewed annually in August. Neither the Company's indemnity nor the insurance provides cover in the event that the director is proven to have acted dishonestly or fraudulently.

VODAFONE LIMITED

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REPORT OF THE DIRECTORS (continued)

Statement as to disclosure of information to auditors

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The report of the directors was approved by the Board on 15 February 2021 and signed on its behalf by:

H Lamprell
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VODAFONE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Vodafone Limited for the year ended 31 March 2020 which comprise the Income Statement, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VODAFONE LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VODAFONE LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Ernst & Young LLP

Marcus Butler (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditors
London

16 February 2021

VODAFONE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £m	2019 £m
Revenue	2	5,657.6	5,512.9
Cost of sales		(4,045.5)	(4,222.2)
Gross profit		1,612.1	1,290.7
Selling and distribution costs		(578.1)	(637.8)
Administrative expenses		(1,284.2)	(1,255.0)
Net credit losses on financial assets		(101.3)	(74.7)
Operating loss	3	(351.5)	(676.8)
Net finance expense	6	(23.5)	(2.7)
Loss on ordinary activities before taxation		(375.0)	(679.5)
Income tax on ordinary activities	7	148.8	92.3
Loss for the financial year		(226.2)	(587.2)

The results above are derived from continuing operations.

The accompanying notes on pages 21 to 65 are an integral part of these financial statements.

VODAFONE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020	2019
		£m	£m
Loss for the financial year		(226.2)	(587.2)
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) in the value of defined benefit retirement plans	21	569.7	(31.7)
Cash flow hedging reserve		6.7	(0.1)
Tax attributable to actuarial gains/(losses)	7	(106.5)	5.2
Other comprehensive income/(expense)		469.9	(26.6)
Total comprehensive income/(loss) for the financial year		243.7	(613.8)

The accompanying notes on pages 21 to 65 are an integral part of these financial statements.

VODAFONE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

Company No: 01471587

	Note	2020	2019
		£m	£m
Non-current assets			
Intangible assets	8	2,368.4	2,794.1
Property, plant and equipment	9	3,965.3	3,040.7
Investments	10	25.1	25.1
Deferred tax asset	16	1,124.2	1,014.3
Post-employment benefits - asset	21	489.2	81.4
		7,972.2	6,955.6
Current assets			
Inventories	11	116.4	160.9
Trade and other receivables	12	3,582.2	3,400.8
Cash and cash equivalents		24.3	32.5
		3,722.9	3,594.2
Creditors: amounts falling due within one year	13	(4,605.2)	(4,215.1)
NET CURRENT LIABILITIES		(882.3)	(620.9)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,089.9	6,334.7
Creditors: amounts falling due after more than one year	14	(743.3)	(21.6)
Provisions for liabilities	15	(217.1)	(286.0)
Post-employment benefits - liability	21	(19.2)	(178.7)
NET ASSETS		6,110.3	5,848.4
EQUITY			
Called up share capital	17	-	-
Share premium account		9,168.2	9,168.2
Retained earnings		(3,057.9)	(3,319.8)
TOTAL SHAREHOLDERS' FUNDS		6,110.3	5,848.4

The financial statements on pages 17 to 65 were approved and authorised for issue by the directors on 15 February 2021 and were signed on its behalf by:

E Tournon
Director

VODAFONE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Note	Called up share capital £m	Share premium account £m	Retained earnings £m	Total Shareholder's funds £m
Balance at 1 April 2018		-	9,168.2	(2,711.2)	6,457.0
Loss for the financial year		-	-	(587.2)	(587.2)
Other comprehensive expense		-	-	(26.6)	(26.6)
Total comprehensive loss for the financial year		-	-	(613.8)	(613.8)
Net share based payments		-	-	5.2	5.2
Balance at 31 March 2019		-	9,168.2	(3,319.8)	5,848.4
Adoption of IFRS 16	25	-	-	8.7	8.7
Balance at 1 April 2019		-	9,168.2	(3,311.1)	5,857.1
Loss for the financial year		-	-	(226.2)	(226.2)
Other comprehensive income		-	-	469.9	469.9
Total comprehensive income for the financial year		-	-	243.7	243.7
Net share based payments	20	-	-	9.5	9.5
Balance at 31 March 2020		-	9,168.2	(3,057.9)	6,110.3

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. Statement of accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The accounting policies adopted in respect of material items are described below. Excluding the adoption of IFRS 16 'Leases', the accounting policies have been applied on a consistent basis during the current and the preceding year.

Basis of preparation

These financial statements were prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'), and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The following disclosure exemptions available under FRS 101 have been applied:

(a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Shared-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
(b) IFRS 7 'Financial Instruments: Disclosures';
(c) Paragraph 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
(d) Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73 (e) of IAS 16 'Property, Plant and Equipment' and paragraph 118 (e) of IAS 38 'Intangible assets'.
(e) The following paragraphs of IAS 1 'Presentation of financial statements':
- 10(d) (statement of cash flows);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 40A-D (requirements for a third statement of financial position);
- 111 (cash flow statement information); and
- 134 – 136 (Capital management disclosures);

(f) IAS 7 'Statement of cash flows';
(g) Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
(h) Paragraph 17 of IAS 24 'Related party disclosures' (key management compensation);
(i) The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group;

1. Statement of accounting policies (continued)

(j) Paragraphs 130(f)(ii), 130(f)(iii), 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets', provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
(k) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'; and
(l) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

Going concern

The directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements. The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2.

The directors have reviewed the financial performance and position of the Company and have assessed the monthly cashflow forecasts through to March 2022. They considered a range of possible downside scenario's including the impact of COVID-19, and concluded that these would have no significant impact on the going concern conclusion.

The directors noted that the Company's £1,657.3m cash is held in a call deposit account as part of the Vodafone Group plc cash pooling arrangement. Per the terms of the arrangement, the directors have control of this deposit and draw down upon this balance when needed.

The directors also noted the £2,736.7m current intercompany liabilities which are repayable on demand. The directors have received a letter of support from Group, which offers refinancing in the event that these liabilities are called upon. As such, the directors do not expect a net cash outflow as a result of these in the going concern period.

Having considered the overall financial position of the Group, as set out in its Interim Financial Statements for the 6 months ended 30 September 2020, the directors are satisfied that the Group has sufficient liquidity for the Company to continue to access the cash balance held in its call deposit account and the ability of the group to provide any refinancing needed.

On the basis of their assessment, the directors of the Company expect that the Company will be able to continue in operational existence for the for the period up to and including March 2022, and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1. Statement of accounting policies (continued)

Significant new accounting pronouncements

IFRS 16 "Leases" was adopted by the Company on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The Company has applied the following expedients in relation to the adoption of IFRS 16:

- The right-of-use assets were measured at an amount based on the lease liability at adoption; initial direct costs incurred when obtaining leases were excluded from this measurement. Lease prepayments and accruals previously recognised under IAS 17 at 31 March 2019 were added to and deducted from, respectively, the value of the right-of-use assets on adoption; and
- The Company impaired the right-of-use assets recognised on adoption by the value of the provisions for onerous leases held under IAS 37 at 31 March 2019 instead of performing a new impairment assessment for those assets on adoption.

The Company's right-of-use assets are recorded together with other property, plant and equipment assets (see note 9 "Property, plant and equipment") and lease liabilities are recognised in creditors (see notes 13 and 14).

The primary impacts of applying the IFRS16 accounting policy is included in note 25.

The accounting policies that materially impact the financial statement are as follows:

Revenue recognition

When the Company enters into an agreement with a customer, goods and services deliverable under the contract are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified. The obligations identified will depend on the nature of individual customer contracts, but might typically be separately identified for mobile handsets, other equipment such as set-top boxes and routers provided to customers and services provided to customers such as mobile and fixed line communication services. Where goods and services have a functional dependency (for example, a fixed line router can only be used with the Company's services) this does not, in isolation, prevent those goods or services from being assessed as separate obligations.

The Company determines the transaction price to which it expects to be entitled in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Company and receive commission, any commissions that the dealer is compelled to use to fund discounts or other incentives to the customer are treated as payments to the customer when determining the transaction price and consequently are not included in contract acquisition costs.

The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Company would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs. See 'Critical accounting estimates and judgements' below for details.

1. Statement of accounting policies (continued)

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable.

- Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when the Company provides the related service during the agreed service period.
- Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries, such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

Where refunds are issued to customers, they are deducted from revenue in the relevant service period.

When the Company has control of goods or services prior to delivery to a customer, then the Company is the principal in the sale to the customer. As a principal, receipts from, and payments to, suppliers are reported on a gross basis in revenue and operating costs. If another party has control of goods or services prior to transfer to a customer, then the Company is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Company. See 'Critical accounting estimates and judgements' below for details.

Customers typically pay in advance for prepay mobile services and monthly for other communication services. Customers typically pay for handsets and other equipment either up-front at the time of sale or over the term of the related service agreement.

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time a contract asset is recognised; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Company via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Company receives an advance payment from a customer, a contract liability is recognised.

When contract assets or liabilities are recognised, a financing component may exist in the contract; this is typically the case when a handset or other equipment is provided to a customer up-front but payment is received over the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract-related costs

When costs directly relating to a specific contract are incurred prior to recognising revenue for a related obligation, and those costs enhance the ability of the Company to deliver an obligation and are expected to be recovered, then those costs are recognised on the statement of financial position as fulfilment costs and are recognised as expenses in line with the recognition of revenue when the related obligation is delivered.

The direct and incremental costs of acquiring a contract including, for example, certain commissions payable to staff or agents for acquiring customers on behalf of the Company, are recognised as contract acquisition cost assets in the statement of financial position when the related payment obligation is recorded. Costs are recognised as an expense in line with the recognition of the related revenue that is expected to be earned by the Company; typically this is over the customer contract period as new commissions are payable on contract renewal. Certain amounts payable to agents are deducted from revenue recognised (see above).

1. Statement of accounting policies (continued)

Intangible assets

Purchased intangible assets, including licence fees, are capitalised at cost and stated at cost less amortisation and provision for impairment.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets and liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation, but is tested annually for impairment or whenever there is evidence that it may be required. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Goodwill arising before the date of transition to FRS 101, on 1 April 2015, is recognised at the net book value prevailing at that date, subject to being tested for impairment. Goodwill written off to reserves under UK GAAP has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Licence fees

Licence fees are capitalised and amortised on a straight-line basis over their estimated useful economic life. The amortisation period for the Company's 3G licence fees is 17 years. The amortisation period for the Company's 4G and 5G licence fees is 20 years and 18 years respectively.

Computer software

Development and acquisition costs that are directly attributable to the design and testing of identifiable software products controlled by the Company are recognised as intangible assets.

Computer software costs recognised as assets are amortised using the straight line basis over their estimated useful lives, which does not exceed 5 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairments.

Included within the cost of network infrastructure systems are materials awaiting installation which are valued at cost less a provision for excess and obsolete items. The materials are used in the construction and maintenance of new and existing infrastructure and, when issued, are charged either to the cost of specific infrastructure or to the Income Statement.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in its acquisition and installation.

1. Statement of accounting policies (continued)

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is charged so as to write off the cost of assets, other than assets under construction, to their residual values using the straight-line method over their estimated useful lives, as follows:

Freehold buildings	40-50 years
Leasehold improvements	5-40 years (or over the lease term, whichever is shorter)
Plant and machinery	1-7 years
Motor vehicles	4 years
Furniture and fittings	5-10 years
Network infrastructure	5-40 years

Depreciation is not provided on freehold land.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. The performance of investments is reviewed annually at each year end to establish whether there has been an impairment in the value of the investment which would necessitate a provision.

Asset impairment

Intangible assets and property, plant and equipment that are subject to amortisation are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an impairment indicator is identified, the carrying value of the income generating unit is compared with its recoverable amount. Where the recoverable amount is less than the carrying value an impairment is recognised.

An impairment loss is recognised in the Income Statement for the amount by which the assets carrying amount exceeds its recoverable amount.

Inventory

Inventory is valued at the lower of cost and estimated net realisable value. Provision is made where inventory is slow moving or obsolete to reduce cost to its net realisable value, calculated with reference to historic sales experience and forecast demand.

Leases

Lease accounting policy under IFRS 16

When the Group leases an asset, a 'right-of-use asset' is recognised for the leased item and a lease liability is recognised for any lease payments to be paid over the lease term at the lease commencement date. The right-of-use asset is initially measured at cost, being the present value of the lease payments paid or payable, plus any initial direct costs incurred in entering the lease and less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Company is 'reasonably certain' to exercise any extension options. The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment. If right-of-use assets are considered to be impaired, the carrying value is reduced accordingly.

1. Statement of accounting policies (continued)

Lease liabilities are initially measured at the value of the lease payments over the lease term that are not paid at the commencement date and are usually discounted using the Company's incremental borrowing rates (the rate implicit in the lease is used if it is readily determinable). Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

After initial recognition, the lease liability is recorded at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate (e.g. an inflation related increase) or if the Company's assessment of the lease term changes; any changes in the lease liability as a result of these changes also results in a corresponding change in the recorded right of-use asset.

Where the Company is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise the lease is an operating lease. Finance leases are included as 'net investment in leases' within trade and other receivables.

Where the Company is an intermediate lessor, the interests in the head lease and the sub-lease are accounted for separately and the lease classification of a sub-lease is determined by reference to the right-of-use asset arising from the head lease.

Income from operating leases is recognised on a straight-line basis over the lease term. Income from finance leases is recognised at lease commencement with interest income recognised over the lease term. Lease income is recognised as revenue for transactions that are part of the Company's ordinary activities (primarily equipment provided to customers). The Company uses IFRS 15 principles to allocate the consideration in contracts between any lease and non-lease components.

For the comparative accounting period, the Company's accounting policy under IAS17 and IFRIC4 was as follows:

Rental costs under operating leases are charged to the Income Statement in equal annual amounts over the periods of the leases.

Assets acquired under finance leases, which transfer substantially all the rights and obligations of ownership, are accounted for as though purchased outright. The fair value of the asset at the inception of the lease is included in property, plant and equipment 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.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

1. Statement of accounting policies (continued)

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Foreign currencies

Transactions in currencies other than the Company's reporting currency are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the period.

Hedging

The Company's activities expose it to changes in foreign exchange rates which it manages using derivative financial instruments in the form of cash flow hedges: Hedges of highly probably forecast transactions of foreign currency. These derivative financial instruments are initially measured at fair value on the contract date and subsequently re-measured to fair value at each reporting date. Where deemed effective hedges, changes in value are deferred to other comprehensive income. Hedge effectiveness is determined at inception of the hedge relationship and through prospective effectiveness assessments.

For cash flow hedges, when the hedged item is recognised in the income statement, amounts previously recognised in other comprehensive income and accumulated in equity for the hedging instrument are reclassified to the income statement. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. If a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the income statement.

1. Statement of accounting policies (continued)

Joint operations

The Company has a tower sharing arrangement determined as a joint operation. A joint operation is a joint arrangement whereby the parties that have joint control have the rights to the assets, and obligations for the liabilities, relating to the arrangement or that other facts and circumstances indicate that this is the case. The Company's assets, liabilities, revenue, expenses and cash flows in the joint operation plus the share of jointly held balances and transactions are combined with the equivalent items in the financial statements on a line-by-line basis.

Pensions

The Company participates in both defined benefit and defined contribution pension schemes.

Defined benefit pension schemes

The asset or deficit recognised in the Statement of Financial Position in respect of the defined benefit plan represents the fair value of plan assets less the present value of the defined benefit obligations at the reporting date. Net plan assets are recognised only to the extent that the present value of the economic benefit is available in the form of refunds from the plan or reductions in future contributions to the plan. Defined benefit obligations for the scheme are calculated annually by independent actuaries using the projected unit method. The present value of these obligations is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid. The bonds used have terms to maturity approximating the terms of the related pension obligation.

The Company recognises actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the Statement of Comprehensive Income. Past service costs are recognised immediately in the Income Statement, unless the changes to the pension plan are conditional on the employee remaining in service for a specified period of time (the vesting period). In these cases, the past service costs are amortised on a straight-line basis over the vesting period.

Current service costs and any past service costs, together with scheme administration costs are included within operating costs. The unwinding of the discount on plan liabilities less expected return on plan assets is recognised within finance costs.

Defined contribution pension schemes

For defined contribution schemes, the Company pays contributions to independently administered funds. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they fall due.

Defined contribution pension costs charged to the Income Statement represent contributions payable in respect of the year.

Borrowings

Interest bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method, except where they are identified as a hedged item in a designated hedge relationship. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

Finance costs

Finance costs are recognised in the Income Statement in the period in which they are incurred.

1. Statement of accounting policies (continued)

Financial assets

The Company classifies its financial assets under loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise receivables and cash. The Company has no financial assets at fair value through profit or loss.

Trade and other receivables mainly consist of amounts owed to the Company by customers, contract assets, fellow group undertakings and amounts paid to suppliers in advance. Trade receivables do not carry any interest and are stated at amortised cost as reduced by allowances for lifetime estimated credit losses. The Company has financial assets classified and measured at amortised cost that are subject to the expected credit loss model requirements of IFRS 9. Estimated future credit losses are first recorded on the initial recognition of a receivable and are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectable.

If collection is expected in one year or less, they are classified as current assets. If not, they are classified as non-current assets.

Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Share-based payments

Vodafone Group Plc issues equity-settled share awards to certain of the Company's employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. Fair value is measured using a binomial pricing model, which is calibrated using a Black-Scholes option pricing framework. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where the Vodafone Group Plc grants rights or share options over its shares to employees of the Company, the Company records this as a capital contribution directly in equity. Where the Company makes cash payments to its ultimate parent in respect of any rights or share options granted, such cash contributions are accounted for as a reduction in the capital contribution received (see note 20).

Provisions

Provisions for asset restoration obligations, restructuring costs and other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

Gross versus net presentation

When the Company sells goods or services as a principal, income and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Company sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned. Whether the Company is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Company and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

Allocation of revenue to goods and services provided to customers

Revenue is recognised when goods and services are delivered to customers. Goods and services may be delivered to a customer at different times under the same contract, hence it is necessary to allocate the amount payable by the customer between goods and services on a 'relative standalone selling price basis'; this requires the identification of performance obligations ('obligations') and the determination of standalone selling prices for the identified obligations.

It is necessary to estimate the standalone price when the Company does not sell equivalent goods or services in similar circumstances on a standalone basis. When estimating the standalone price the Company maximises the use of external inputs; methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Company, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which is sometimes the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for obligations materially impacts the allocation of revenue between obligations and impacts the timing of revenue when obligations are provided to customers at different times – for example, the allocation of revenue between handsets, which are usually delivered up-front, and services which are typically delivered over the contract period. However, there is not considered to be a significant risk of material adjustment to the carrying value of contract-related assets or liabilities in the 12 months after the balance sheet date if these estimates were revised.

1. Statement of accounting policies (continued)

(b) Taxation

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the relevant tax authority or through a legal process. The final resolution of some of these items, which can take many years, may give rise to material profits, losses and/or cash flows.

The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether it is probable that there will be sufficient and suitable taxable profits in the Company or the UK tax group against which to utilise the assets in the future.

Judgement is required when determining probable future taxable profits. The Company assesses the availability of future taxable profits using the same undiscounted five year forecasts for the Company's operations as are used in the Group's value in use calculations. Where tax losses are forecast to be recovered beyond the five year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

Changes in the assumptions which underpin the Company's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered.

The Company only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits. See note 7 'Income tax expense'.

(c) Finite lived intangible assets

Other intangible assets include amounts spent by the Company acquiring investments, licences fees and the costs of purchasing and developing computer software.

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Reducing the useful life will increase the amortisation charge in the Income Statement. Useful lives are periodically reviewed to ensure that they remain appropriate.

The estimated useful life of licence fees is generally the term of the licence unless there is a presumption of renewal at negligible cost; this is adjusted if necessary, for example taking into account the impact of any expected changes in technology.

The useful life of software is based on management's view, considering historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. The useful life will not exceed the duration of the licence.

1. Statement of accounting policies (continued)

(d) Lease accounting

Lease accounting under IFRS 16 is significantly more complex than under previous reporting requirements and necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant accounting judgements are disclosed below.

Lease identification

Whether the arrangement is considered a lease or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Company and the counter-party to determine if control of an identified asset has been passed between the parties; if not, the arrangement is a service arrangement. Control exists if the Company obtains substantially all of the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time. An identified asset exists where an agreement explicitly or implicitly identifies an asset or a physically distinct portion of an asset which the lessor has no substantive right to substitute.

The scenarios requiring the greatest judgement include those where the arrangement is for the use of fibre or other fixed telecommunication lines. Generally, where the Company has exclusive use of a physical line it is determined that the Company can also direct the use of the line and therefore leases will be recognised. Where the Company provides access to fibre or other fixed telecommunication lines to another operator on a wholesale basis the arrangement will generally be identified as a lease, whereas when the Company provides fixed line services to an end-user, generally control over such lines is not passed to the end-user and a lease is not identified.

The impact of determining whether an agreement is a lease or a service depends on whether the Company is a potential lessee or lessor in the arrangement and, where the Company is a lessor, whether the arrangement is classified as an operating or finance lease. The impacts for each scenario are described below where the Company is potentially:

- A lessee. The judgement impacts the nature and timing of both costs and reported assets and liabilities. A lease results in an asset and a liability being reported and depreciation and interest being recognised; the interest charge will decrease over the life of the lease. A service contract results in operating expenses being recognised evenly over the life of the contract and no assets or liabilities being recorded (other than trade payables, prepayments and accruals).
- An operating lessor. The judgement impacts the nature of income recognised. An operating lease results in lease income being recognised whilst a service contract results in service revenue. Both are recognised evenly over the life of the contract.
- A finance lessor. The judgement impacts the nature and timing of both income and reported assets. A finance lease results in the lease income being recognised at commencement of the lease and an asset (the net investment in the lease) being recorded.

1. Statement of accounting policies (continued)

Lease term

Where leases include additional optional periods after an initial lease term, significant judgement is required in determining whether these optional periods should be included when determining the lease term. The impact of this judgement is significantly greater where the Company is a lessee. As a lessee, optional periods are included in the lease term if the Company is reasonably certain it will exercise an extension option or will not exercise a termination option; this depends on an analysis by management of all relevant facts and circumstances including the leased asset's nature and purpose, the economic and practical potential for replacing the asset and any plans that the Company has in place for the future use of the asset. Where a leased asset is highly customised (either when initially provided or as a result of leasehold improvements) or it is impractical or uneconomic to replace then the Company is more likely to judge that lease extension options are reasonably certain to be exercised. The value of the right-of-use asset and lease liability will be greater when extension options are included in the lease term. The normal approach adopted for lease term by asset class is described below.

The lease terms can vary significantly by type and use of asset. In addition, the exact lease term is subject to the non-cancellable period and rights and options in each contract. Generally, lease terms are judged to be the longer of the minimum lease term and:

- Between 5 and 15 years for land and buildings (excluding retail), with terms at the top end of this range if the lease relates to assets that are considered to be difficult to exit sooner for economic, practical or reputational reasons;
- To the next contractual lease break date for retail premises (excluding breaks within the next 12 months);
- Where leases are used to provide internal connectivity the lease term for the connectivity is aligned to the lease term or useful economic life of the assets connected; and
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line services to individual customers.

In most instances the Company has options to renew or extend leases for additional periods after the end of the lease term which are assessed using the criteria above.

(e) Property, plant and equipment

Property, plant and equipment represents 33.9% (2019: 28.8%) of the Company's total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See note 9 'Property, plant and equipment'.

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the Income Statement. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The useful life of network infrastructure is assumed not to exceed the duration of related operating licences unless there is a reasonable expectation of renewal or an alternative future use for the asset.

1. Statement of accounting policies (continued)

(f) Post-employment benefits

Management judgement is exercised when determining the Company's liabilities and expenses arising for defined benefit pension schemes. Management is required to make assumptions regarding future rates of inflation, salary increases, discount rates and longevity of members, each of which may have a material impact on the defined benefit obligations that are recorded. Further details, including a sensitivity analysis, are included in note 21 'Post-employment benefits'.

(g) Impairment reviews

IFRS requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters including management's expectations of:

- Growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- Timing and amount of future capital expenditure, licence and spectrum payments;
- Long-term growth rates; and
- Appropriate discount rates to reflect the risks involved.

Management prepares formal five year forecasts for the Company's operations, which are used to estimate their value in use.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projection, could significantly affect the Company's impairment evaluation and hence reported assets and profits or losses.

2. Revenue

Revenue reported for the year includes revenue from contracts with customers, comprising service and equipment revenue, as well as other revenue items including revenue from leases and interest revenue arising for transactions with a significant financing component.

In both the current and prior years, revenue was generated predominantly by operations in the United Kingdom, as determined by the destination of revenue.

	2020	2019
	£m	£m
Service revenue	4,371.7	4,339.7
Equipment and other revenue	1,285.9	1,173.2
Total revenue	5,657.6	5,512.9

Other revenue largely represents lease revenues recognised under IFRS 16 'Leases' (in 2019 under IAS17 'Leases').

The total future revenue from the Company's contracts with customers with performance obligations not satisfied at 31 March 2020 is £3,463m (2019: £3,480m), of which £1,960m (2019: £2,018m) is expected to be recognised within the next year and the majority of the remaining amount in the following 12 months.

3. Operating loss

The operating loss of £351.5m (2019: £676.8m) is stated after charging/(crediting):

	2020	2019
	£m	£m
Credit losses on trade receivables	107.9	75.7
Credit losses on contract assets	(6.6)	(1.0)
Depreciation of property, plant and equipment (note 9):		
Owned assets	579.9	641.4
Leased assets	498.6	-
Payments under operating leases:		
Other assets	-	177.1
Plant, machinery and network infrastructure	-	284.9
Fees payable to the Company's auditor:		
Audit of the Company's financial statements	1.4	1.2
Loss on disposal of fixed assets	7.7	26.1
Amortisation of license fees (note 8)	410.3	402.1
Amortisation of computer software (note 8)	216.0	209.5
Reorganisation expenses – restructuring	6.1	114.9
Net foreign exchange loss/(gain)	1.0	(0.8)

Reorganisation expense comprises redundancy and property costs as a result of restructuring under a three-year programme. No non-audit services have been provided by the Company's auditor.

All the impairment net losses above relate to receivables arising from contracts with customers.

4. Employees

The average monthly number of persons directly employed by the Company (including directors) during the year was:

	2020 Number	2019 Number
Selling and distribution	3,299	3,939
Administration	6,517	6,975
	9,816	10,914

The costs incurred in respect of employees (including directors) were:

	2020 £m	2019 £m
Wages and salaries	414.3	457.8
Social security costs	49.0	53.4
Other pension costs	54.4	61.2
Cost of employee share schemes	13.2	10.6
	530.9	583.0

5. Directors' remuneration

	2020	2019
	£'000	£'000
Emoluments	3,630.8	4,505.1
Company payments to defined contribution pension schemes	20.0	20.0
	3,650.8	4,525.1

The emoluments shown are those earned by the directors in performing qualifying services for the Company during the year.

	2020	2019
	Number	Number
Number of directors in the year who:		
Are members of a defined contribution pension scheme:	2	2

	2020	2019
	£'000	£'000
Highest paid director's remuneration	2,145.7	3,143.4

All directors of the Company participate in the Group's share plans which are described in note 20.

6. Net finance expense

	2020	2019
	£m	£m
Interest receivable and similar income:		
Vodafone Group companies	6.0	7.7
Interest on investment in leases	0.4	-
	6.4	7.7
Interest payable and similar charges:		
Vodafone Group companies	(1.8)	(4.2)
Interest on lease liabilities	(18.3)	-
Other interest and charges	(9.8)	(6.2)
	(29.9)	(10.4)
	(23.5)	(2.7)

7. Income tax on ordinary activities

	2020 £m	2019 £m
UK Corporation Tax charge at 19% (2019: 19%)	(68.1)	(38.7)
Adjustments in respect of prior years	(1.2)	(86.9)
Total current taxation charge	(69.3)	(125.6)
Deferred taxation credit - current year	121.1	153.8
Deferred taxation (charge)/credit - prior year	(19.7)	82.4
Deferred taxation credit/(charge) - impact of change in tax rate	116.7	(18.3)
Total deferred taxation credit	218.1	217.9
Total income tax credit	148.8	92.3

	2020 £m	2019 £m
Tax included in other comprehensive income		
Origination and reversal of temporary differences	(109.4)	5.8
Impact of change in tax rate	2.9	(0.6)
Total tax (charge)/credit included in other comprehensive income	(106.5)	5.2

The elements of deferred taxation are shown in note 16.

The tax rate for the current year is 19%. A rate reduction in the UK corporation tax rate to 17% was substantively enacted in the Finance Act 2016 and the rate of 17% was used to calculate the opening balance sheet deferred tax asset/(liability). In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

As a result the rate of 19% has been used to calculate the closing balance sheet deferred tax assets/(liabilities). The effect of this change in rate being applied to the deferred tax asset/(liability) is included in these financial statements.

An amount of £116.7m (2019: £18.3m charged) was credited to the Income Statement due to the change in the UK tax rate from 17% to 19%.

7. Income tax on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2019: 19%). The actual income tax for the current and previous year differs from the tax credit at the standard rate for the reasons set out in the following reconciliation:

	2020 £m	2019 £m
Loss before taxation	(375.0)	(679.5)
Tax credit on loss before income tax at standard rate of 19% (2019: 19%)	71.3	129.1
Factors affecting tax credit for the year:		
Permanent differences	(17.5)	(13.2)
Losses not utilised	(0.8)	(0.9)
Re-measurement of deferred tax – change in UK tax rate	116.7	(18.3)
Adjustments in respect of prior years	(20.9)	(4.4)
Income tax credit for the year	148.8	92.3

8. Intangible assets

	Goodwill	Licence fees	Computer software	Total
	£m	£m	£m	£m
Cost				
At 1 April 2019	360.0	7,289.3	2,751.9	10,401.2
Additions	-	-	206.7	206.7
Disposals	-	(4.6)	(531.8)	(536.4)
Transfers	-	-	(3.4)	(3.4)
At 31 March 2020	360.0	7,284.7	2,423.4	10,068.1
Accumulated amortisation				
At 1 April 2019	-	(5,285.2)	(2,321.9)	(7,607.1)
Charge for the year	-	(410.3)	(216.0)	(626.3)
Disposals	-	-	531.8	531.8
Transfers	-	-	1.9	1.9
At 31 March 2020	-	(5,695.5)	(2,004.2)	(7,699.7)
Net book value				
At 31 March 2020	360.0	1,589.2	419.2	2,368.4
At 31 March 2019	360.0	2,004.1	430.0	2,794.1

9. Property, plant and equipment

	Freehold land & buildings and leasehold improvements	Plant, machinery and motor vehicles	Furniture and fittings	Network infrastructure	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2019	365.0	801.3	399.2	10,450.2	240.3	12,256.0
Additions	1.8	3.4	16.9	382.3	72.2	476.6
Transfers	-	4.3	15.9	59.7	(77.4)	2.5
Disposals	(19.9)	(111.9)	(65.0)	(378.5)	-	(575.3)
At 31 March 2020	346.9	697.1	367.0	10,513.7	235.1	12,159.8
Accumulated depreciation						
At 1 April 2019	(313.4)	(796.2)	(275.2)	(7,830.5)	-	(9,215.3)
Charge for the year	(9.8)	(1.0)	(28.5)	(540.6)	-	(579.9)
Transfers	-	(1.2)	0.2	-	-	(1.0)
Disposals	14.2	111.2	63.2	366.0	-	554.6
At 31 March 2020	(309.0)	(687.2)	(240.3)	(8,005.1)	-	(9,241.6)
Net book value						
At 31 March 2020	37.9	9.9	126.7	2,508.6	235.1	2,918.2
At 31 March 2019	51.6	5.1	124.0	2,619.7	240.3	3,040.7

Included in property, plant and equipment is freehold land with a cost of £9.5m (2019: £11.2m). Freehold land is not depreciated.

Right-of-use assets arising from the Company's lease arrangements are recorded within property, plant and equipment:

Net book value						
Property, plant and equipment (owned assets)	37.9	9.9	126.7	2,508.6	235.1	2,918.2
Right of use assets	329.9	6.4	-	710.8	-	1,047.1
At 31 March 2020	367.8	16.3	126.7	3,219.4	235.1	3,965.3

Additions of £569.0m and a depreciation charge of £69.1m, £3.3m, £426.2m in respect of Freehold land and buildings, Motor vehicles and Network infrastructure, respectively, were recorded in respect of right-of-use assets during the year to 31 March 2020.

10. Investments

	£m
At 1 April 2019 and at 31 March 2020	25.1

The companies in which the Company had an interest at the year-end were as follows:

Investment held	Principal activity	Holding and Voting Rights %
Cornerstone Telecommunications Infrastructure Limited	Passive network infrastructure management	50
Talkmobile Limited	Telecommunications services	100

All shareholdings are investments in ordinary shares of companies registered in England and Wales. The Company accounts for Cornerstone Telecommunications Infrastructure Limited as a joint operation.

11. Inventories

	2020 £m	2019 £m
Finished goods held for resale	116.4	160.9

There is no material difference between the balance sheet value of inventory and their replacement cost. Cost of sales includes amounts related to inventory of £1,024.9m (2019: £824.5m). Inventories are stated after provisions for impairment of £13.2m (2019: £10.5m).

12. Trade and other receivables

	2020 £m	2019 £m
Trade and other receivables: amounts falling due within one year		
Trade receivables	404.8	422.4
Net investment in leases	6.7	-
Amounts owed by group undertakings	2,109.7	1,778.4
Group relief receivable	0.8	-
Other receivables	15.2	49.0
Contract assets	448.1	689.7
Contract related costs	156.4	125.9
Prepayments	181.8	185.9
	3,323.5	3,251.3
Trade and other receivables: amounts falling due after more than one year		
Net investment in leases	22.6	-
Contract assets	155.9	118.7
Contract related costs	64.4	15.6
Prepayments	15.8	15.2
	258.7	149.5
	3,582.2	3,400.8

Amounts owed by Group undertakings are unsecured and repayable on demand.

The carrying amounts of trade and other receivables approximate their fair value and are non-interest bearing. Trade receivables are stated after expected future credit losses of £108.7m (2019: £114.0m). Contract assets are stated after expected future credit losses of £11.6m (2019: £8.3m). The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

The Company's contract related costs comprise £209.9m (2019: £129.2) relating to costs incurred to obtain customers contracts and £10.9m (2019: £12.3m) relating to costs incurred to fulfil customer contracts. An amortisation expense of £158.4m (2019: £126.5m) was recognised in the operating loss during the year.

13. Creditors: amounts falling due within one year

	2020	2019
	£m	£m
Trade payables	496.3	421.8
Amounts owed to group undertakings	2,736.7	2,872.0
Net obligations under finance leases	-	0.4
Lease liabilities	384.2	-
Group relief payable	85.0	38.5
Taxation payable	-	0.3
Other taxation and social security costs	215.5	165.3
Other payables	13.5	11.7
Other loans	5.9	-
Accruals	461.3	518.1
Contract liabilities	206.8	187.0
	4,605.2	4,215.1

Amounts owed to group undertakings are unsecured and repayable on demand.

The majority of £187.0m (2019: majority of £167.7m) recorded as current contract liabilities at 1 April 2019 was recognised as revenue during the year.

14. Creditors: amounts falling due after more than one year

	2020	2019
	£m	£m
Other payables	2.6	19.8
Lease liabilities	719.8	-
Contract liabilities	0.8	1.8
Other taxes and social security costs	20.1	-
	743.3	21.6

The maturity of creditors falling due after more than one year is as follows:	2020	2019
	£m	£m
Between 2 and 5 years	585.2	7.9
More than 5 years	158.1	13.7
	743.3	21.6

15. Provisions for liabilities

	Asset retirement obligations	Other	Total
	£m	£m	£m
As at 31 March 2019	**164.7**	**121.3**	**286.0**
Adoption of IFRS 16 (note 25)	-	(62.5)	(62.5)
As at 1 April 2019	**164.7**	**58.8**	**223.5**
Amount charged to the income statement	-	6.4	6.4
Additions	14.3	-	14.3
Transfers	2.3	-	2.3
Released in the year	(13.2)	(5.0)	(18.2)
Utilised in the year	(4.2)	(13.1)	(17.3)
Discount unwind	6.1	-	6.1
As at 31 March 2020	170.0	47.1	217.1

Asset retirement obligations are provisions recognised by the Company for the obligation to decommission its network sites at the end of their operating life. In the course of the Company's activities, a number of sites and other assets are utilised which are expected to have costs associated with decommissioning. The associated cash outflows are substantially expected to occur at the dates of exit of the assets to which they relate, which are long-term in nature, primarily in periods up to 25 years from when the asset is brought into use.

Other provisions mainly relate to restructuring activities, including onerous non-lease costs associated with vacant leased properties. The majority of the balance is expected to be utilised in periods up to 10 years.

16. Deferred taxation

	2020	2019
	£m	£m
The elements of deferred taxation which have been recognised as assets and liabilities in the Statement of Financial Position are as follows:		
Accelerated capital allowances	1,183.6	986.7
Share based payments	2.4	1.7
Pension asset	3.6	16.5
Other timing differences	40.6	17.9
Total deferred tax asset	1,230.2	1,022.8
Accelerated capital allowances	(11.6)	(8.5)
Pension liability	(92.9)	-
Other timing differences	(1.5)	-
Total deferred tax liabilities	(106.0)	(8.5)
Net deferred tax asset	1,124.2	1,014.3

Deferred tax assets and liabilities have not been discounted.

The movements in the net deferred taxation balances were as follows:

	2020	2019
	£m	£m
Net asset at the beginning of year	1,014.3	841.9
Change in accounting policy	(1.7)	(50.7)
Amount credited to the income statement	218.1	217.9
Amount (charged)/credited to other comprehensive income	(106.5)	5.2
Net deferred asset at the end of year	1,124.2	1,014.3

16. Deferred taxation (continued)

Deferred tax consists of the following deferred tax assets/(liabilities):

	2020 £m	2019 £m
Deferred tax assets due within 12 months	35.2	30.8
Deferred tax liabilities due within 12 months	(106.0)	(8.5)
Total deferred tax	(70.8)	22.3
Deferred tax assets due after 12 months	1,195.0	992.0
Total deferred tax	1,195.0	992.0
Total deferred tax asset	1,124.2	1,014.3

Reconciliation of the deferred tax asset as at 31 March 2020

	Accelerated capital allowances £m	Share-based payment £m	Pension deficit £m	Other £m	Total £m
At 1 April 2019	986.7	1.7	16.5	17.9	1,022.8
Change in accounting policy	-	-	-	(1.7)	(1.7)
Credited/(charged) to the income statement	196.8	0.6	(0.8)	24.6	221.2
Credited/(charged) directly to other comprehensive income	0.1	0.1	(12.1)	(0.2)	(12.1)
At 31 March 2020	1,183.6	2.4	3.6	40.6	1,230.2

Reconciliation of deferred tax liability as at 31 March 2020

	Accelerated capital allowances £m	Share-based payment £m	Pension deficit £m	Other £m	Total £m
At 1 April 2019	(8.5)	-	-	-	(8.5)
Credited/(charged) to the income statement	(3.1)	-	-	-	(3.1)
Credited/(charged) directly to other comprehensive income	-	-	(92.9)	(1.5)	(94.4)
At 31 March 2020	(11.6)	-	(92.9)	(1.5)	(106.0)

16. Deferred taxation (continued)

The recoverability of deferred tax asset is evaluated through a probability assessment level of the future taxable profit that will be available for the temporary differences to be utilised against. The future taxable profit is based on estimates. Deferred tax assets are recognised for unused capital allowances to the extent that the realisation of the related tax benefit through future taxable profits is probable. Based on the current forecasts the DTA will be fully recovered over the next 20 to 25 years.

The tax rate for the current year is 19%. A rate reduction in the UK corporation tax rate to 17% was substantively enacted in the Finance Act 2016 and the rate of 17% was used to calculate the opening balance sheet deferred tax asset/(liability). In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

The rate of 19% (2019:17%) has been used to calculate the above deferred tax assets/(liabilities).

17. Called up share capital

	2020	2019
	£	£
Allotted, issued and fully paid:		
4,343 (2019: 4,343) ordinary shares of £1 each	4,343	4,343

On 7 September 2020 the Company issued 100 £1 ordinary shares to its immediate parent company, Vodafone Mobile Network Limited for a total consideration of £58.8m

18. Capital and other commitments

	2020 £m	2019 £m
Contracts for future capital expenditure not provided in the financial statements	116.8	146.4

19. Leases

As disclosed in note 1, the Company transitioned to IFRS 16 using the modified retrospective approach; comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. Details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately; key differences between IFRS 16 and IAS 17 and IFRIC 4 are described in note 1.

Previous accounting policies for comparative periods under IAS 17 and IFRIC 4

As a lessee
Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership of the asset to the lessee; all other leases were classified as operating leases.

Assets held under finance leases were recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation. Lease payments were apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Depreciation and finance charges were recognised in the income statement.

Rentals payable under operating leases were charged, and lease incentives received, were credited to the income statement on a straight-line basis over the term of the relevant lease.

As a lessor
Lessor accounting applied in the comparative period was consistent with that described for IFRS 16 within note 1, except for the lease classification, as a finance or operating lease, of a sub-lease which was determined by reference to the underlying asset.

The Company's leasing activities

As a lessee
The Company leases buildings for its retail stores, offices and data centres, land on which to construct mobile base stations, space on mobile base stations to place active RAN equipment and network space (primarily rack space or duct space). In addition, the Company leases fibre and other fixed connectivity for network purposes, to support both backhaul and other internal use, and fixed connectivity services to customers.

19. Leases (continued)

The Company's general approach to determining lease term by class of asset is described on page 33 under critical accounting judgements and key sources of estimation uncertainty in note 1.

Certain leases include future price increases as fixed percentage increases, indexation to inflation measures on a periodic basis, or rent review clauses. Other than fixed percentage increases the lease liability does not reflect the impact of these future increases unless the measurement date has passed. The Company's leases contain no material variable payment clauses other than those related to the number of operators sharing space on third party mobile base stations.

The Company sub-leases excess retail and office properties under both operating and finance leases; see disclosure on the Company's leasing activities as a lessor below.

Operational lease periods

Where practicable the Company seeks to include extension or break options in leases to provide operational flexibility, therefore many of the Company's lease contracts contain optional periods. The Company's policy on assessing and reassessing whether it is reasonably certain that the optional period will be included in the lease term is described on page 33 under critical accounting judgements and key sources of estimation uncertainty in note 1.

After initial recognition of a lease, the Company only reassesses the lease term when there is a significant event or a significant change in circumstances, which was not anticipated at the time of the previous assessment. Significant events or significant changes in circumstances could include merger and acquisition or similar activity, significant expenditure on the leased asset not anticipated in the previous assessment, or detailed management plans indicating a different conclusion on optional periods to the previous assessment. Where a significant event or significant change in circumstances does not occur, the lease term and therefore lease liability and right-of-use asset value, will decline over time.

The Company's leases for customer connectivity are normally either under regulated access or network sharing or similar preferential access arrangements and, as a result, the Company normally has significant flexibility over the term it can lease such connections for; generally the notice period required to cancel these leases is less than the notice period included in the service contracts with end customers. As a result, the Company does not have any significant cash exposure to optional periods on customer connectivity as the Company can cancel the lease when the service agreement ends. In some circumstances the Company is committed to minimum spend amounts for connectivity leases, which are included within reported lease liabilities.

19. Leases (continued)

Amounts recognised in the primary financial statements in relation to lessee transactions

Right-of-use assets
The carrying value of the Company's right-of-use assets, depreciation charge for the year and additions during the year are disclosed in note 9 "Property, plant and equipment".

Lease liabilities
The maturity profile of the Company's lease liabilities is as follows:

	2020 £m
Within one year	399.9
In more than one year but less than two years	243.1
In more than two years but less than three years	162.4
In more than three years but less than four years	109.9
In more than four years but less than five years	69.6
In more than five years	210.5
	1,195.4
Effect of discounting	(91.4)
Lease liability	1,104.0

At 31 March 2020, the Company had entered into lease contracts with undiscounted payment obligations totaling £6.8m that had not yet commenced.

Interest expense on lease liabilities for the year is disclosed in note 6 "Net finance (expense)/income".

The Company has no material liabilities under residual value guarantees and makes no material payments for variable payments not included in the lease liability. The Company does not apply either the short term or low value expedient options in IFRS 16.

As a lessor
The Company has a wide range of lessor activities with consumer and enterprise customers, other telecommunication companies and other companies. With consumer and enterprise customers, the Company generates lease income from the provision of handsets, routers and other communications equipment. The Company provides wholesale access to the Company's fibre and cable networks and leases out space on the Company's owned mobile base stations to other telecommunication companies. In addition, the Company sub-leases retail stores to franchise partners in certain markets and sub-leases surplus assets (e.g. vacant offices and retail stores).

19. Leases (continued)

The Group's income as a lessor in the year is as follows:

	2020 £m
Lease revenue (note 2)	42.5
Income from leases not recognised as revenue	3.8

The Company's net investments in leases are disclosed in note 12 "Trade and other receivables". The committed amounts to be received from the Company's operating leases are as follows:

	2020 £m
Within one year	6.7
In more than one year but less than two years	6.8
In more than two years but less than three years	4.8
In more than three years but less than four years	3.3
In more than four years but less than five years	1.6
In more than five years	6.1
Committed operating lease income due to the Company as a lessor	29.3

The Company has no material lease income arising from variable lease payments.

Operating lease commitments
In the prior year, the previous lease accounting policy applied and certain leases were classified as operating leases. The minimum lease payments under non-cancellable operating leases disclosed in the prior year were as follows:

	2019 £m
In respect of leases expiring:	
Not later than one year	318.3
Later than one year but not later than five years	388.6
Later than five years	206.9
	913.8

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 31 March 2019 was £11.7m.

20. Share-based payments

The Company currently uses a number of equity-settled share plans to grant a right to acquire shares in Vodafone Group Plc, the ultimate parent of the Company, to its directors and employees.

The Company has applied the exemption permitted by IFRS 2 that allows the measurement of this expense to be calculated only on share awards and share options granted after 7 November 2002. IFRS 2 requires that equity-settled share-based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period, with an equivalent credit taken directly in equity as a capital contribution. On vesting of the shares, the Company is charged the intrinsic value of the share by Vodafone Group Plc. This amount is treated as a reduction of the capital contribution and is recognised directly in equity.

(i) Share options

Vodafone Group Executive Plans

No share options have been granted to any directors or employees under the Company's discretionary share option plans in the year ended 31 March 2020.

At 31 March 2020, there were no options outstanding under the Vodafone Global Incentive Plan.

Vodafone Group Sharesave Plan

The Vodafone Group 2008 Sharesave Plan and its predecessor, the Vodafone Group 1998 Sharesave Scheme enables UK staff to acquire shares in Vodafone Group Plc through monthly savings of up to £375 over a three or five year period. The savings may then be used to purchase shares at the option price, which is set at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the shares.

(ii) Share plans

Vodafone Group Executive Plans

Under the Vodafone Global Incentive Plan awards of shares are granted to directors and certain employees. The release of these shares is conditional upon continued employment and for some awards achievement of certain company performance targets measured over a three year period.

Vodafone Share Incentive Plan

The Vodafone Share Incentive Plan enabled staff to acquire shares in Vodafone Group Plc through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, Vodafone Group Plc provided a free matching share. Following a review of our plans, it was decided that, from 1 April 2017, employees would no longer be able to purchase shares under this plan and would no longer received matching shares. However, individuals continue to receive Dividend Equivalent awards in the plan.

21. Post-employment benefits

The Company's pension plans are provided through both defined benefit and defined contribution arrangements. Defined benefit schemes provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

Defined benefit plans

The defined benefit plans are administered by Trustee Boards that are legally separated from the Company. The Trustee Board of each pension fund consists of representatives who are employees, former employees or are independent from the Company. The Boards of the pension funds are required by law to act in the best interest of the plan participants and are responsible for setting certain policies, such as investment and contribution policies, and the governance of the fund.

The Company's main defined benefit plan is the Vodafone UK Group Pension Scheme ('Vodafone UK plan'). There are two segregated sections of the Vodafone UK plan, the pre-existing assets and liabilities of the Vodafone UK plan in the Vodafone Section and the former Cable & Wireless Worldwide Retirement Plan ('CWWRP') assets and liabilities, which were transferred into the Vodafone UK plan on 6 June 2014, in the CWW Section, with the CWWRP then being wound up. The pre-existing Vodafone UK plan and the former CWWRP plan closed to future accrual on 31 March 2010 and 30 November 2013 respectively.

The Vodafone UK plan is registered as an occupational pension plan with HMRC and is subject to UK legislation and oversight from the Pensions Regulator. UK legislation requires that pension schemes are funded prudently and that valuations are undertaken at least every three years. Separate valuations are required for the Vodafone Section and CWW Section.

The most recent valuations for the Vodafone Section and CWW Section of the Vodafone UK plan were carried out as at 31 March 2016 by an independent actuary appointed by the plan trustee. These valuations revealed a net deficit of £189m on the scheme's funding basis (£249m deficit for the Vodafone Section and a £60m surplus on the CWW Section). Following the valuation, the Company paid one-off funding contributions, totalling £194m, in October 2017 (£136m into the Vodafone Section and £58m into the CWW Section). For the Vodafone Section this lump sum contribution represented both contributions due under the previous schedule of contributions and accelerated funding that would otherwise have been due over a longer recovery period. For the CWW Section this represented a cash payment due under the previously agreed schedule of contributions. These cash payments were invested into annuity policies issued by a third party insurance company which in turn entered into a reinsurance policy covering these risks with the Vodafone Group's captive insurance company.

No further contributions are due in respect of the deficit revealed at the 2016 valuation.

21. Post-employment benefits (continued)

The triennial actuarial valuation, as at 31 March 2019, was finalised subsequent to the Company's accounting year end in September 2020, and showed that funding levels had improved since the 2016 actuarial valuation, the CWW Section showing a surplus on the Scheme's funding basis, and the Vodafone Section which showed a deficit of £173m on the Scheme's funding basis. After allowing for future investment outperformance, the Trustee and Company agreed a contribution of £80m to fund the deficit and the Company made a lump sum funding contribution of £58.8m in September 2020 being its share of the funding deficit.

The investment strategy for the UK plans is controlled by the trustees in consultation with the Company and the plans have no direct investments in Vodafone Group's equity securities or in property or other assets currently used by the Group. The allocation of assets between different classes of investment is reviewed regularly and is a key factor in the trustee investment policy. The trustees aim to achieve the plan's investment objectives through investing partly in a diversified mix of growth assets which, over the long term, are expected to grow in value by more than the low risk assets. The low risk assets include cash and gilts, inflation and interest rate hedging and in substance insured pensioner annuity policies in both the Vodafone Section and CWW Sections of the Vodafone UK plan. A number of investment managers are appointed to promote diversification by assets, organisation and investment style and current market conditions and trends are regularly assessed, which may lead to adjustments in the asset allocation.

The Vodafone Section of the Vodafone UK plan covers a number of UK based employers within the Vodafone Group. Individual companies' contribution, including the impact of any surplus or deficit overall within the plan, have been accounted by each company in the same proportion since 31 March 2010, when the plan closed to future accrual, based on members employed in the company at that time.

The Company also operates the THUS Group plc Pension Scheme and two further small plans.

The funding policies for these plans are reviewed on a systematic basis in consultation with the independent plan actuaries in order to ensure that the funding contributions from sponsoring employers are appropriate to meet the liabilities of the plans over the long term.

Defined contribution pension schemes

Defined contribution pension costs charged to the Income Statement were £49.2m (2019: £43.4m). There were no amounts accrued, but not paid, in respect of pension schemes at 31 March 2020 (2019: £nil).

21. Post-employment benefits (continued)

IAS 19 valuation – the Vodafone UK plan and other schemes

IAS 19 valuations of the defined benefit pension schemes operated by the Company have been prepared as at 31 March 2020 by qualified independent actuaries, ISIO Group.

	2020 Assumption %	2019 Assumption %
RPI Inflation	2.40	3.20
Pension increases	2.40	3.05
Discount rate	2.20	2.45

The assumptions regarding mortality in retirement for the Vodafone UK plan as at 31 March 2020 use the S3PXA tables with scheme specific adjustments, subject to improvements in line with the CMI 2018 projections and a longer term trend rate 1.5% per annum and smoothing factor 7.5, for both males and females.

Based on these assumptions, the life expectancy of pensioners aged 65 are as follows:

	On 31 March 2020	Retiring in 25 yrs
Male	23.1 years	25.0 years
Female	25.0 years	27.1 years

	2020 £m	2019 £m
Total market value of assets	4,568.5	4,488.0
Present value of scheme liabilities	(4,098.5)	(4,585.3)
Excess of liabilities of funded obligations	470.0	(97.3)
Represented by:		
Schemes with excess of obligations over assets	(19.2)	(178.7)
Schemes with excess of assets over obligations	489.2	81.4

Pension assets are deemed to be recoverable and there are no adjustments in respect of minimum funding requirements as future economic benefits are available to the Company either in the form of future refunds or, for plans still open to benefit accruals, in the form of possible reductions in future contributions.

21. Post-employment benefits (continued)

Fair value of the assets and present value of the liabilities of the schemes

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit scheme is as follows:

	Assets £m	Liabilities £m	Net deficit £m
1 April 2018	4,388.5	(4,437.3)	(48.8)
Service cost	-	(1.1)	(1.1)
Past service cost	-	(11.6)	(11.6)
Interest income/(cost)	111.6	(113.1)	(1.5)
Return on plan assets excluding interest income	177.9	-	177.9
Actuarial losses arising from changes in demographic assumptions	-	(1.0)	(1.0)
Actuarial losses arising from changes in financial assumptions	-	(202.6)	(202.6)
Actuarial losses arising from experience adjustments	-	(6.0)	(6.0)
Employer contributions	0.9	-	0.9
Employee contributions	0.1	(0.1)	-
Benefits paid	(187.5)	187.5	-
Expenses paid	(3.5)	-	(3.5)
31 March 2019	4,488.0	(4,585.3)	(97.3)

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit scheme is as follows: (continued)

	Assets £m	Liabilities £m	Net deficit £m
1 April 2019	4,488.0	(4,585.3)	(97.3)
Service cost	-	(1.1)	(1.1)
Past service cost	-	(0.4)	(0.4)
Interest income/(cost)	107.9	(110.6)	(2.7)
Return on plan assets excluding interest income	118.2	-	118.2
Actuarial losses arising from changes in demographic assumptions	-	186.6	186.6
Actuarial losses arising from changes in financial assumptions	-	323.1	323.1
Actuarial losses arising from experience adjustments	-	(58.2)	(58.2)
Employer contributions	5.6	-	5.6
Employee contributions	0.1	(0.1)	-
Benefits paid	(147.5)	147.5	-
Expenses paid	(3.8)	-	(3.8)
31 March 2020	4,568.5	(4,098.5)	(470.0)

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2020 is 22.3 years (2019: 23.2 years).

21. Post-employment benefits (continued)

Fair value of pension assets	2020 £m	2019 £m
Cash and cash equivalents – quoted in an active market	42.9	45.2
Equity investments:		
With quoted prices in an active market	645.8	966.0
Without quoted prices in an active market	-	-
Debt instruments:		
With quoted prices in an active market	3,293.0	2,777.0
Without quoted prices in an active market	147.6	147.7
Property:		
With quoted prices in an active market	13.4	15.2
Without quoted prices in an active market	241.0	204.0
Derivatives:		
With quoted prices in an active market	(887.0)	(768.2)
Without quoted prices in an active market	-	-
Investment fund		
Annuity policies – with quoted prices in an active market	212.8	220.9
Annuity policies – without quoted prices in an active market	193.6	184.4
Assets held by insurance companies:		
Without quoted prices in an active market	665.4	695.8
Total	4,568.5	4,488.0

The actual return on plan assets over the year to 31 March 2020 was a gain of £226.1m (2019: £289.5m).

21. Post-employment benefits (continued)

Amounts recognised in the income statement in respect of defined benefit pension schemes are as follows:

	2020 £m	2019 £m
Current service cost	1.1	1.1
Past service cost	0.4	11.6
Interest expense	2.7	1.6
Administration expense	3.8	3.5
Total net expense	8.0	17.8

The best estimate of contributions for the year ending 31 March 2021 is:

	£m
Employer contributions	1.0
Employee contributions	-

Sensitivity analysis

Measurement of the Company's defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase, or decrease, in a particular assumption would, in isolation, results in an increase, or decrease, in the present value of the defined benefit obligation, as at 31 March 2020.

	Rate of inflation		Discount rate		Life expectancy	
	Decrease by 0.5p.p. £m	Increase by 0.5 p.p. £m	Decrease by 0.5 p.p. £m	Increase by 0.5 p.p. £m	Decrease by 1 year £m	Increase by 1 year £m
(Decrease)/increase in present value of defined benefit obligation	(361.8)	414.2	502.7	(431.5)	(138.6)	137.5

The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. In presenting this sensitivity analysis, the change in the present value of the defined benefit obligation has been calculated on the same basis as prior years using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognised in the statement of financial position.

22. Contingent matters

In December 2018 the administrators of former UK indirect seller Phones 4U sued the three main UK mobile network operators (MNOs), including Vodafone Ltd, and their parent companies. The administrators allege a conspiracy between the MNOs to pull their business from Phones 4U thereby causing its collapse. The value of the claim is not pleaded but we understand it to be the total value of the business, possibly around £1 billion. Vodafone's Ltd's alleged share of the liability is also not pleaded. Vodafone Ltd filed its defence on 18 April 2019, along with several other defendants, and the Administrators filed their Replies in October 2019. Case management hearings took place in March and July 2020. The judge has also ordered that there should be a split trial between liability and damages. The first trial will start in May 2022.

On 22 February 2019, IPCom sued Vodafone Group PLC, Vodafone UK Ltd and Vodafone Ltd for alleged patent infringement of two patents claimed to be essential to UMTS and LTE network standards. If IPCom could have established that one or more of its patents were valid and infringed, it could have sought an injunction against the UK network if a global licence for the patents was not agreed. The Court ordered expedited trials of the infringement and validity issues. The trial on the first patent was in November 2019 and removed the risk of injunction so IPCom gave up the trial on the second patent listed for May 2020. Both IPCom and Vodafone are appealing certain aspects of the judgment from the first trial. The appeal was heard January 2021 and the decision is awaited.

Top Optimized Technologies S.L, and TOT Power Control S.L. (TOT) brought a claim against Vodafone Group plc, Vodafone Group Services Ltd and Vodafone Ltd for alleged patent infringement and misuse of confidential information. The claim is not quantified. The Defendants challenged the jurisdiction of the English Courts to hear the claim whilst a related case is ongoing in Spain, this was unsuccessful.

23. Related party disclosures

The Company has a number of related parties including joint arrangements, pension schemes and directors (see note 5 'Directors' remuneration', note 10 'Investments' and note 21 'Pensions'):

The Company has taken advantage of the exemption granted by paragraphs 17 and 18A of IAS24, Related Party Disclosures, not to disclose transactions with group companies.

The Company has included its share of its joint operation, Cornerstone Telecommunications Infrastructure Limited, in the financial statements.

The joint operation has share capital consisting solely of ordinary shares and principally operates in the UK. The financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for all but an insignificant amount of the output to be consumed by the shareholders.

24. Ultimate parent company

The immediate parent company of the Company is Vodafone Mobile Network Limited, a company registered in England and Wales. The ultimate parent company and controlling entity of the Company, 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 registered in England and Wales.

A copy of the financial statements of Vodafone Group Plc for the year ended 31 March 2020 may be obtained from its website www.vodafone.com or from the Company Secretary, Vodafone Group Plc, Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom.

25. Impact of changes in accounting policies

IFRS 16 "Leases" was adopted by the Company on 1 April 2019 with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

The primary impacts on the Company's financial statements, and the key causes of the movements recorded in the statement of financial position on 1 April 2019, as a result of applying the IFRS 16 ('current') accounting policy in place of the previous policy, under IAS 17, are:

- Under IAS 17, lessees classified leases as either operating or finance leases. Operating lease costs were expensed on a straight-line basis over the period of the lease. Finance leases resulted in the recognition, in the statement of financial position, of an asset and a corresponding liability for lease payments, at present value. Under IFRS 16, all lease agreements give rise to the recognition of a 'right-of-use asset' representing the right to use the leased item and a liability for any future lease payments over the 'reasonably certain' period of the lease, which may include future lease periods for which the Company has extension options.
- Lessee accounting under IFRS 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability which is generally discounted at the incremental borrowing rate of the Company, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term.
- Lessor accounting under IFRS 16 is similar to IAS 17. The only substantive change is that when the Company sub-leases assets it classifies the lease out as either operating or finance leases by reference to the terms of the head lease contract whereas under IAS17 the classification was determined by reference to the underlying asset leased out. This has resulted in additional finance leases out being recognised under IFRS 16 (see net investment in leases in note 11 "Trade and other receivables").
- The expedients applied at adoption, above, have resulted in reclassifications of lease-related prepayments, accruals and provisions at 1 April 2019 to the right-of-use assets.
- During the year ended 31 March 2019 an expense of £462.0m was charged for operating leases. During the year ended 31 March 2020, depreciation of £498.6m and interest of £18.3m has been charged in relation to leases.

25. Impact of changes in accounting policies (continued)

The impact of the adoption of IFRS 16 on the statement of financial position at 1 April 2019 is set out below:

	As at 31 March 2019 As originally presented £m	Impact of adoption of IFRS 16 £m	As at 1 April 2019 £m
Non-current assets			
Intangible assets	2,794.1	-	2,794.1
Property, plant and equipment	3,040.7	1,068.0	4,108.7
Investments	25.1	-	25.1
Deferred tax asset	1,014.3	(1.7)	1,012.6
Post-employment benefits - asset	81.4	-	81.4
	6,955.6	1,066.3	8,021.9
Current assets			
Inventories	160.9	-	160.9
Trade and other receivables	3,400.8	(26.8)	3,374.0
Cash and cash equivalents	32.5	-	32.5
	3,594.2	(26.8)	3,567.4
Creditors: amounts falling due within one year	(4,215.1)	(311.2)	(4,526.3)
NET CURRENT LIABILITIES	(620.9)	(338.0)	(958.9)
TOTAL ASSETS LESS CURRENT LIABILITIES	6,334.7	728.3	7,063.0
Creditors: amounts falling due after more than one year	(21.6)	(782.1)	(803.7)
Provisions for liabilities	(286.0)	62.5	(223.5)
Post-employment benefits - liability	(178.7)	-	(178.7)
NET ASSETS	5,848.4	8.7	5,857.1
EQUITY			
Called up share capital	-	-	-
Share premium account	9,168.2	-	9,168.2
Retained earnings	(3,319.8)	8.7	(3,311.1)
TOTAL SHAREHOLDERS' FUNDS	5,848.4	8.7	5,857.1

26. Post balance sheet events

Prior to the sale of the Company's interest in Cornerstone Telecommunications Infrastructure Limited to another Group company, Cornerstone Telecommunications Infrastructure Limited issued 20,000 ordinary shares to the Company's immediate parent, Vodafone Mobile Network Limited. On 8 January 2021, Vodafone Mobile Network Limited transferred such Cornerstone Telecommunications Infrastructure Limited shares to the Company in consideration for the allotment and issue by the Company to Vodafone Mobile Network Limited of 100 ordinary shares of £1 each in the Company.

On 14 January 2021, the Company sold its share in Cornerstone Telecommunications Infrastructure Limited to another Group company. This represents a non-adjusting subsequent event, therefore it is disclosed but otherwise without impact on financial results for the year ended 31 March 2020.