

VODAFONE LIMITED

Company No: 01471587

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022



VODAFONE LIMITED

Company No: 01471587

Contents	Page
Strategic report	2 – 9
Report of the directors	10 - 13
Independent auditor's report	14 - 17
Income statement	18
Statement of Comprehensive Income	19
Statement of Financial Position	20
Statement of Changes in Equity	21
Notes to the financial statements	22 – 62

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT

The directors present their strategic report for Vodafone Limited (the 'Company') for the year ended 31 March 2022.

Review of the business and future developments

Total revenue increased by 3.0% to £5.5 billion, due to higher service revenue and equipment revenue.

Reported service revenue grew by 2.5%, driven by strong Consumer segment growth, and supported by higher MVNO, roaming and visitor revenue. This was partially offset by a slowdown in Business, and a reduction in mobile termination rates.

During the year, we added 271,000 mobile contract customers, supported by our 'Vodafone EVO' proposition, which offers customers a combination of flexible contracts, trade-in options, and early upgrades. We also benefited from good iPhone demand and improved customer loyalty. Contract churn improved by 0.6 percentage points year-on-year to 12.4%. Our digital sub-brand 'VOXI' also continued to grow, with 104,000 customers added in the year. Our digital sales remained strong during the year, and now account for 33% of total sales. We also announced an exclusive retail partnership with the Dixons Carphone Group, covering 300 stores and digital channels, with improved terms compared to our previous arrangement.

In Fixed our commercial momentum in Consumer remained strong, with good demand for our Vodafone 'Pro Broadband' product. With 139,000 broadband net additions during the year, we now have over one million customers, of which 527,000 are converged. In November 2021, we announced the expansion of our long-term strategic partnership agreement with CityFibre. In conjunction with our existing partnership with Openreach, our NGN broadband services are now available to 29.3 million households.

Adjusted EBITDAaL (Previously referred to as adjusted EBITDA in prior years. The metrics have the same definition) increased by 3.3%, driven by growth in service revenue, and continued strong cost control. Our Adjusted EBITDAaL margin was in line with last year at 20.9%. Adjusted EBITDAaL is operating profit after depreciation on lease-related right of use assets and interest on leases but excluding depreciation, amortisation and gains/losses on disposal of owned assets and excluding gain on sale of joint arrangement, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Company.

An operating loss of £317.7m (2021: £186.8m profit) was made during the year, with last year's gain supported by the disposal of a joint arrangement.

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT (continued)

	2022 £m	2021 £m
Revenue		
Service revenue	4,324.0	4,217.5
Other revenue	1,219.1	1,166.5
Adjusted EBITDAaL	1,159.5	1,123.0
Depreciation and amortisation ¹	(1,043.8)	(1,195.7)
Adjusted operating profit/(loss)	115.7	(72.7)
Other expenses ²	(433.4)	(419.0)
Net gain on disposal of joint arrangement	-	678.5
Operating (loss)/profit	(317.7)	186.8
Net financing costs	(28.3)	(7.6)
Income tax	482.9	96.8
Profit for the financial year	136.9	276.0

¹ Depreciation of right of use assets under IFRS 16 included within Adjusted EBITDAaL

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

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT (continued)

Financial position and liquidity

The Statement of Financial Position on page 20 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 term 'Group' in this context and where used elsewhere in these reports and financial statements means Vodafone Group Plc and its subsidiaries and associated companies.

The Company closed the year with cash of £11.2m (2021: £10.2m). During January and March 2022, the sale of handset receivables realised cash of £221m and £243m respectively.

For further details of amounts payable to and due from Vodafone Group Plc and fellow subsidiary undertakings, see notes 12 and 13 of the financial statements.

Principal risks and uncertainties

Managing risks and uncertainties is an integral part of successfully executing our strategic objectives and delivering our long-term success. Risks are not static and as the environment changes, so do risks – some diminish or increase, while new risks appear.

The Company has a clear framework for identifying and managing risk, both at an operational and strategic level. The Company has a dedicated second line 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 and a Risk & Compliance Committee. Additional oversight of the Enterprise Risk Management Framework is also provided by Group Risk.

We assign each of our risks to a category (strategic, operational or financial) and identify the source of the threat (internal or external). This approach enables a better understanding of how we should treat the risk and provide the right level of oversight and assurance. Risk owners are accountable for confirming adequate controls are in place and that the necessary treatment plans are implemented to bring the risk within an acceptable tolerance level. We continue to monitor the status of our risk treatment plans across the year and perform in-depth reviews of our risks which are presented to the relevant oversight committees.

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.

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT (continued)

c) 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 update and emerging risks

The vital role telecommunications companies play in society has become more evident during the COVID-19 pandemic. Telecommunications services are critical in enabling people to work remotely, allowing businesses to remain operational, supporting emergency services and government responses, and providing access to online education. Through our infrastructure, we have kept people and societies connected.

We have closely monitored the evolution of COVID-19 and adapted our risk profile as required.

Society is now recovering from the effects of the COVID-19 pandemic; vaccines are in place; Government restrictions have been lifted with no lockdown measures in place in the UK; and for our people, our focus has now shifted to support 'Future Ready Vodafone' a safe and effective hybrid way of working. With regards to financial performance, we have seen a partial recovery in our roaming and visitor revenue stream. However it is clear that new risks are emerging in the macro-economic environment, supply chain impacts and energy prices, as detailed below.

a) Macroeconomic environment

We continue to closely monitor the ongoing effects of the economy and operations bought on from the turmoil of COVID-19 pandemic and the war in Ukraine. We continue to implement treatment plans throughout our business to reduce the impact, for example a portion of our revenue stream is applicable to inflation linked price rises which will support in offsetting increased costs as a result of higher inflation. We have launched social tariffs such as 'VOXI For Now' to ensure all those that need connectivity remain connected. For customers that are struggling to pay we have dedicated teams that can offer suitable payment plans.

b) Supply chain disruption

Disruption in our supply chain could mean that we are unable to execute our strategic plans, resulting in increased cost as well as reduced choice and service quality. We are closely monitoring the evolution of the geopolitical environment. This enables us to respond to emerging challenges and to comply with regulations, economic sanctions and trade rulings. We also mitigate our exposure through having multi-year contracts with key suppliers, forecasting and forward ordering our inventory requirements in anticipation of extended lead-times as well as continuing to execute our logistics optimisation strategy.

c) Energy costs

The global macroeconomic environment and the war in Ukraine has resulted in increased energy prices. In addition to hedging, we also have Power Purchase Agreements ('PPAs') in the UK. PPAs trade at a discount to current wholesale electricity prices and provide us with more economic certainty against current volatile wholesale electricity prices, as well as helping to create new capacity within the markets.

VODAFONE LIMITED**Company No: 01471587****STRATEGIC REPORT (continued)****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 2022.

	2022	2021
Scope 1 GHG emissions (m tonnes CO ₂ e)	0.01	0.02
Scope 2 market-based GHG emissions (m tonnes CO ₂ e)	0.03	0.04
Scope 2 location-based GHG emissions (m tonnes CO ₂ e)	0.13	0.14
Total energy consumption (GWh)	664	701

In 2022 GHG emissions per GBP million of revenues were 8.75 tonnes of CO₂e.

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.

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT (continued)

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

Further details on our engagement with stakeholders including the way we engaged and responded as a group can be found in the financial statements of Vodafone Group Plc for the year ended 31 March 2022 on its website www.vodafone.com.

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, we maintained our Pulse survey which regularly sought the views of our employees in such unprecedented times. The feedback obtained through that route proved to be very useful and the surveys have now become a regular part of our employee engagement process.

We want to make sure that we have a positive impact on people and society, which includes respecting human rights in all our operations. The group is a long-standing member of the UN Global Compact and follows the United Nations Guiding Principles on Business and Human Rights, which guide our approach.

Suppliers:

The Company is part of the wider Vodafone Group and operates under a global supply chain management function. The Group is helped by more than 9,000 suppliers who partner with it. These range from start-ups and small businesses to large multinational companies. Our suppliers provide us with the products and services we need to deliver our strategy and connect our customers.

During the year the Group engaged with the supply chain through safety forums, events, conferences and site visits. Purpose criteria is included in tenders and Group conducts supplier audits and assessments. The key topics raised through this engagement were improving health and safety standards, promoting diversity and inclusion and driving towards net zero emissions in supply chains.

The Group held quarterly safety forums and recognised our suppliers with awards for health and safety, diversity and inclusion as well as planet efforts.

Community & Environment:

Our company purpose is to Connect for A Better Future. This underpins everything we do as a business, setting the agenda for why and how we operate globally. Our Directors believe what we do as a business, providing technology and connectivity can improve people's lives and enhance our future. So our purpose is to create a digital society that includes everyone and protects our planet.

everyone.connected

Our Purpose north star in the UK is our everyone.connected campaign which has put tackling the digital divide at the heart of our business. The digital divide between those who have access to digital technology and those who do not is widening inequalities in society. Our Directors believe connectivity is essential, and everyone should have access to the opportunities it provides. everyone.connected is our campaign to help people access the connectivity, devices and skills they need to live life to the full.

VODAFONE LIMITED

Company No: 01471587

STRATEGIC REPORT (continued)

Our Board has committed to connect one million people living in digital poverty by the end of 2022 and made this announcement in June 2021. We are working with charity partners, our customers and employees to provide digital access and skills to the people in our society who need it most. We've helped more than 350,000 people so far by working with more than 1,500 charities, including our partners, the Trussell Trust through Buy One Give One, Barnardo's, with the Great British Tech Appeal, and hundreds more through our charities.connected initiative, allowing any UK registered charity to apply for free connectivity to tackle digital exclusion within their community. These charities support people in all sorts of situations that cause them to be digitally excluded, including those facing financial hardship, victims of domestic abuse, refugees arriving in the UK and the homeless.

In spring of 2022, the Board approved the pivot of our Great British Tech Appeal and charities.connected initiatives to help support those affected by the war in Ukraine, providing refugees arriving in the UK with connectivity and devices.

The directors are committed to achieving our one million goal and will continue to work with existing and new partners to reach the digitally excluded people who need it most. But we also know that providing connectivity is just one part of the solution. Our Board has also committed to work to raise awareness of this issue, seek out reliable data to drive impact and change, upskill those needing help, provide accessible tariffs for the financially vulnerable, and continue to donate connectivity where needed.

Net zero

In relation to our environmental impact, our Board remains committed to cutting carbon emissions from our business and network to net zero (Scope 1 & 2) by 2027. Switching to 100% renewable electricity, in July 2021, had a significant impact and we have reduced carbon emissions from our UK operations by 55% to the year ending 31 March 2022, despite significant growth in voice and data traffic over our network. We announced we would be trialling 'self-powering' masts that use a wind turbine and solar panels to generate electricity. Such masts could help us provide connectivity in hard-to-reach places that do not have an electricity supply and will help us cut carbon emissions too. We also announced we would be switching to 100% recycled plastic SIM cards.

Helping our customers

Our Internet of Things (IoT) technology has a vital role to play in helping our customers reduce their carbon emissions. We released research showing that new technologies such as 5G and IoT could help the UK reduce its carbon emissions by 4% a year, particularly in the transport, manufacturing and agriculture sectors. Examples currently underway in the UK include using IoT monitor erosion on the Dorset coast, keeping tabs on water pipes for leaks, and measuring the impact of climate change on forests.

Circular economy

We are committed to tackling electronic waste and promoting a circular economy. Our UK customers can already access circular services such as refurbished handsets, a market-leading digital platform with trade-in options, plus insurance, support and repairs to help them keep their handsets for longer. In the last year, around 120,000 devices were traded in and we recycled almost 30,000 routers.

VODAFONE LIMITED

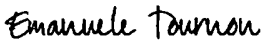
Company No: 01471587

STRATEGIC REPORT (continued)

Governments and regulators

Our relationship with governments and regulators is important and we hope to work together on policies impacting our industry and customers, while also enabling them to better understand the positive impact we can have on the environment and communities we operate in.

The Strategic Report was approved by the by the Board on 25 July 2022 and signed on its behalf by:

DocuSigned by:

90E37693635848B...

Emanuele 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 2022.

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 2022, the Company reported a profit for the financial year of £136.9m (2021: £276.0m). The Income Statement set out on page 18 of the financial statements summarises the trading, interest and tax components of the profit. No interim dividend was paid (2021: £nil) and no final dividend is proposed (2021: £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:

Emanuele Tournon

Ahmed Essameldin Ahmed Aboushelbaya

Nicholas Gliddon

(appointed on 25 May 2022)

Helen Lamprell

(resigned on 15 September 2021)

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).

Company's Auditor

The Company's auditor is Ernst & Young LLP with the registered address as 1 More London Place London SE1 2AF.

Political donations

No political donations or contributions to political parties under the Companies Act 2006 have been made during the financial year. The Company policy is that no political donations be made or political expenditure incurred.

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 Vodafone Group plc, the ultimate parent undertaking, for the year ended 31 March 2022, which does not form part of this report.

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS (continued)

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 30 September 2023. They considered a range of possible downside scenarios 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 £2,577.5m cash is held in a call deposit account as part of the Vodafone Group Plc cash pooling arrangement. Under 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 £2,157.9m 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 Annual Report and Accounts for the year ended 31 March 2022, 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 period up to and including 30 September 2023, 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 and 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.

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.

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS (continued)

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.

We have an active and engaged employee network, called VodABILITY, which supports colleagues who have, and raises awareness of, disabilities. Our commitment to supporting colleagues who have a disability is supported by the fact that Shelley Malton, our Customer Service & Operations Director, is the Executive Sponsor of the VodABILITY network.

Corporate governance arrangements

As a wholly owned subsidiary of Vodafone Group plc, 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.

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS (continued)

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.

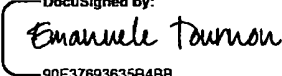
Indemnification of directors

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.

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 25 July 2022 and signed on its behalf by:

DocuSigned by:

90E37693635848B...
Emanuele Tournon
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 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 25, 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:

- give a true and fair view of the company's affairs as at 31 March 2022 and of its profit 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included

- Confirming our understanding of the directors' going concern assessment proves, including controls over the review and approval of the budget and long-range plan.
- Assessing the appropriateness of the duration of the going concern assessment period to 30 September 2023 and considering the existence of any significant events or conditions beyond this period based on our procedures on the Company's long-range plan and from knowledge arising from other areas of the audit.
- Evaluating management's historical forecast accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit.
- Testing the assessment, including forecast liquidity under base and downside scenarios, for clerical accuracy.
- Assessing whether assumptions made were reasonable and in the case of downside scenarios, appropriately severe, in light of the Company's relevant principal risks and uncertainties and our own independent assessment of those risks.
- Evaluating the amount and timing of identified mitigating actions available to response to a severe downside scenario, and whether those actions are feasible and within the Company's control.
- Performed independent reverse stress testing to understand how severe conditions would have to be to breach liquidity and whether the reduction in EBITDA required has no more than a remote possibility of occurring.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VODAFONE LIMITED

- Performing independent sensitivity analysis on management's assumptions including applying incremental adverse cashflow sensitivities. These sensitivities included the impact of certain severe but plausible scenarios, evaluated as part of management's work on the Company's long-term viability, materialising within the going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 30 September 2023 from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 11, 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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the UK Companies Act 2006), the relevant tax compliance regulations in the United Kingdom, the General Data Protection Regulation (GDPR) and the Financial Conduct Authority (FCA).
- We understood how the company is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborate our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business, to understand where it considered there was susceptibility to fraud; and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programmes and controls.
- Where risks or incidences of potential fraud were identified, we developed specific procedures to respond to the risks, including where necessary using our forensic investigation specialists. At a Company level our procedures also involved: enquiries of management and those charged with governance, legal counsel, the fraud investigation, whistleblowing and investigation team; journal entry testing, with a focus on manual journals and

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VODAFONE LIMITED

journals indicating large or unusual transactions, and challenging the assumptions and judgements made by management in respect of significant one-off transactions in the financial year and significant accounting estimates.

- Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk or other risk of material misstatement in order to obtain reasonable assurance that the financial statements were free from fraud or error. These procedures included, among others, obtaining an understanding of, evaluating the design and testing the operating effectiveness of controls over the company's revenue recognition process, which includes management's review of contracts, their identification of performance obligations, the estimation of the relative standalone selling price for each performance obligation, and the determination of the timing of revenue recorded. For each significant revenue stream system, we obtained the billing data to general ledger reconciliation which included the relevant adjustments to deferred and accrued revenue balances. We reperformed these end-to-end reconciliations, including validating the accuracy of the data inputs to underlying source documentation including contractual agreements where applicable. We used data analytic tools to identify revenue related manual journals posted to the general ledger and traced these back to source systems. We obtained and evaluated underlying source documentation to test the completeness and accuracy of the postings, including those journals we considered unusual in nature.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary.

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

25/07/22

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

VODAFONE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £m	2021 £m
Revenue	2	5,543.2	5,384.0
Cost of sales		(4,147.4)	(3,918.3)
Gross profit		1,395.8	1,465.7
Selling and distribution expenses		(498.4)	(500.3)
Administrative expenses		(1,078.1)	(1,311.4)
Net credit losses on financial assets		(137.0)	(145.7)
Net gain on disposal of joint arrangement		-	678.5
Operating (loss)/profit	3	(317.7)	186.8
Net finance expense	6	(28.3)	(7.6)
(Loss)/profit on ordinary activities before taxation		(346.0)	179.2
Income tax on ordinary activities	7	482.9	96.8
Profit for the financial year		136.9	276.0

The results above are derived from continuing operations.

The accompanying notes on pages 22 to 62 are an integral part of these financial statements.

VODAFONE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £m	2021 £m
Profit for the financial year		136.9	276.0
Other comprehensive income/(expense):			
<i>Items that may be reclassified to profit or loss</i>			
Fair value movements on assets at fair value through other comprehensive income		28.7	-
Cash flow hedging reserve		9.9	(13.9)
		<u>38.6</u>	<u>(13.9)</u>
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains/(losses) in the value of defined benefit retirement plans	21	450.0	(615.8)
Tax attributable to actuarial gains/(losses)	7	(111.2)	116.6
		<u>338.8</u>	<u>(499.2)</u>
Other comprehensive income/(expense)		<u>377.4</u>	<u>(513.1)</u>
Total comprehensive income/(loss) for the financial year		<u>514.5</u>	<u>(237.1)</u>

The accompanying notes on pages 22 to 62 are an integral part of these financial statements.

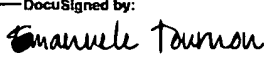
VODAFONE LIMITED

Company No: 01471587

STATEMENT OF FINANCIAL POSITION**AT 31 MARCH 2022**

	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	8	1,821.4	1,896.7
Property, plant and equipment	9	3,711.4	3,969.0
Investments	10	25.1	25.1
Deferred tax asset	16	1,634.7	1,336.2
Post-employment benefits	21	394.7	50.9
		<u>7,587.3</u>	<u>7,277.9</u>
Current assets			
Inventories	11	120.9	145.0
Trade and other receivables: amounts falling due within one year	12	3,863.0	4,524.5
Trade and other receivables: amounts falling due after more than one year	12	598.2	420.7
Cash and cash equivalents		11.2	10.2
		<u>4,593.3</u>	<u>5,100.4</u>
Creditors: amounts falling due within one year	13	(4,223.4)	(4,644.1)
NET CURRENT ASSETS		<u>369.9</u>	<u>456.3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,957.2</u>	<u>7,734.2</u>
Creditors: amounts falling due after more than one year	14	(1,295.3)	(1,486.2)
Provisions for liabilities	15	(205.1)	(182.9)
Post-employment benefits	21	(6.3)	(133.1)
NET ASSETS		<u>6,450.5</u>	<u>5,932.0</u>
EQUITY			
Called up share capital	17	-	-
Share premium account		9,227.0	9,227.0
Retained earnings		(2,776.6)	(3,295.0)
TOTAL SHAREHOLDERS' FUNDS		<u>6,450.5</u>	<u>5,932.0</u>

The financial statements on pages 18 to 62 were approved and authorised for issue by the directors on 25 July 2022 and were signed on its behalf by:

DocuSigned by:

 90E37693635B4BB...
 Emanuele Tournon
 Director

VODAFONE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Note	Called up share capital £m	Share premium account £m	Retained earnings £m	Total Shareholder's funds £m
Balance at 1 April 2020		-	9,168.2	(3,057.9)	6,110.3
Profit for the year		-	-	276.0	276.0
Other comprehensive loss		-	-	(513.1)	(513.1)
Total comprehensive loss for the year		-	-	(237.1)	(237.1)
Share issue		-	58.8	-	58.8
Balance at 1 April 2021		-	9,227.0	(3,295.0)	5,932.0
Profit for the year		-	-	136.9	136.9
Other comprehensive income		-	-	377.4	377.4
Total comprehensive income for the year		-	-	514.5	514.5
Net share-based payments	20	-	-	4.0	4.0
Balance at 31 March 2022		-	9,227.0	(2,776.6)	6,450.5

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2022

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.

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 UK adopted International Financial Reporting Standards ('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;
- (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'.

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022**

As further described in Note 12, Trade and other receivables due within one year and due after more than one year have been presented as separate line items on the face of the Balance Sheet. Comparative information for the year ended 31 March 2021 has been restated accordingly.

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 30 September 2023. They considered a range of possible downside scenarios 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 £2,577.5m cash is held in a call deposit account as part of the Vodafone Group Plc cash pooling arrangement. Under 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 £2,157.9m 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 Annual Report and Accounts for the year ended 31 March 2022, 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 period up to and including 30 September 2023, and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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.

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 customers, 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 may be acting as an agent and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier; 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 a period through a loan 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. If amounts received or receivable from a customer exceed revenue recognised for a contract, 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 a loan term, 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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. Amounts payable to agents that are assessed as, in substance, Company-funded incentives to end customers, are deducted from revenue recognised.

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 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.

Spectrum license fees

Licence fees are capitalised and amortised on a straight-line basis over their estimated useful economic life, not exceeding the license period. The amortisation period for the Company's capitalised spectrum licences costs range from 16 years to 20 years.

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.

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****Property, plant and equipment**

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

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.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is charged 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

At each reporting period date, the Company reviews the carrying amounts of its property, plant and equipment and finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in the income statement. The recoverable amount is the higher of fair value less costs of disposal and value in use.

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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

Leases

When the Company 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 assessed to be impaired, the carrying value is reduced accordingly.

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 IFRS15 principles to allocate the consideration in contracts between any lease and non-lease components.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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 calculation is based on the tax laws enacted or substantively enacted at the balance sheet date. 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.

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.

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.

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****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 probable 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.

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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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. When the Company establishes a practice of selling portfolios of receivables from time to time, these portfolios are recorded at fair value through other comprehensive income.

The carrying value of all trade receivables, contract assets and finance lease receivables recorded at amortised cost is reduced by allowances for lifetime estimated credit losses. Estimated future credit losses are first recorded on the initial recognition of a receivable and are based on the ageing of the receivable balances, historical experience and forward-looking considerations. Individual balances are written off when management deems them not to be collectible.

If collection is expected in one year or less, receivables 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 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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 may be 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 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

Critical accounting estimates and judgements (continued)

(b) Finite lived intangible assets

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.

(c) 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 on ordinary activities'.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

Critical accounting estimates and judgements (continued)

(d) Lease accounting

Lease accounting under IFRS 16 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 counterparty 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 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

Critical accounting estimates and judgements (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 30.5% (2021: 32.1%) 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 considering 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

Critical accounting estimates and judgements (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.

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****2. Revenue**

Revenue reported for the year includes revenue from contracts with customers, comprising service and hardware 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.

	2022	2021
	£m	£m
Service revenue	4,324.0	4,217.5
Hardware revenue	1,155.4	1,074.4
Revenue from contracts with customers	<u>5,479.4</u>	<u>5,291.9</u>
Other revenue	<u>63.7</u>	<u>92.1</u>
Total revenue	<u>5,543.1</u>	<u>5,384.0</u>

Other revenue includes lease revenues recognised under IFRS 16 'Leases'.

The total future revenue from the Company's contracts with customers with performance obligations not satisfied at 31 March 2022 is £3,729m (2021: £3,685m), of which £2,109m (2021: £2,013m) is expected to be recognised within the next year and the majority of the remaining amount in the following 12 months.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

3. Operating (loss)/profit

The operating loss of £317.7m (2021: £186.8m profit) is stated after charging/(crediting):

	2022	2021
	£m	£m
Credit losses on trade receivables	62.6	137.9
Credit losses on contract assets	74.5	7.8
Depreciation of property, plant and equipment (note 9):		
Owned assets	523.1	568.5
Leased assets	631.3	583.7
Fees payable to the Company's auditor:		
Audit of the Company's financial statements	1.4	1.5
Loss/(profit) on disposal of fixed assets	4.4	(3.2)
Amortisation of licence fees (note 8)	334.9	433.3
Amortisation of computer software (note 8)	185.7	193.8
Reorganisation expense/(credit) – restructuring	36.3	(1.4)
Net gain on disposal of joint arrangement	-	(678.5)
Net foreign exchange loss/(gain)	0.5	(1.8)

Reorganisation expense relates to property restructuring as part of the Vodafone Future Ready plan.

No non-audit services have been provided by the Company's auditor.

All the credit losses above relate to receivables and contract assets arising from contracts with customers.

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****4. Employees**

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

	2022 Number	2021 Number
Selling and distribution	2,160	2,663
Administration	6,850	6,569
	<u>9,010</u>	<u>9,232</u>

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

	2022 £m	2021 £m
Wages and salaries	440.9	424.9
Social security costs	54.6	51.3
Other pension costs	40.1	58.1
Cost of employee share schemes	10.5	8.0
	<u>546.1</u>	<u>542.3</u>

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

5. Directors' remuneration

	2022	2021
	£'000	£'000
Emoluments	2,854.9	3,524.4
Company payments to defined contribution pension schemes	9.8	8.5
	<u>2,864.7</u>	<u>3,532.9</u>

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

	2022	2021
	Number	Number
Number of directors in the year who:		
Are members of a defined contribution pension scheme:	<u>3</u>	<u>3</u>
	2022	2021
	£'000	£'000
Highest paid director's remuneration	<u>1,534.6</u>	<u>2,077.3</u>

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

6. Net finance expense

	2022	2021
	£m	£m
Interest receivable and similar income:		
Vodafone Group companies	3.0	4.2
Interest on investment in leases	2.8	0.6
	<u>5.8</u>	<u>4.8</u>
Interest payable and similar charges:		
Vodafone Group companies	(3.1)	(3.1)
Interest on lease liabilities	(29.1)	(15.7)
Other interest and charges	(2.1)	(4.7)
	<u>(34.3)</u>	<u>(23.5)</u>
Net interest income on defined benefit pension scheme	0.2	11.1
	<u>(28.3)</u>	<u>(7.6)</u>

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

7. Income tax on ordinary activities

	2022 £m	2021 £m
UK Corporation Tax credit at 19% (2021: 19%)	(20.8)	(23.8)
Adjustments in respect of prior years	94.0	26.3
Total current taxation credit	73.2	2.5
Deferred taxation credit - current year	93.1	103.7
Deferred taxation charge - prior year	(95.5)	(9.4)
Deferred taxation credit - impact of change in tax rate	412.1	-
Total deferred taxation credit	409.7	94.3
Total income tax credit	482.9	96.8
	2022 £m	2021 £m
Tax included in other comprehensive income		
Tax attributable to actuarial losses	0.3	10.4
Origination and reversal of temporary differences	(91.7)	106.2
Impact of change in tax rate	(19.8)	-
Total tax (charge)/credit included in other comprehensive income	(111.2)	116.6

The elements of deferred taxation are shown in note 16.

The tax rate for the current year is 19%. An increase in the UK corporation tax rate from 19% to 25% from 1 April 2023 was substantively enacted in the Finance Act 2021.

The rate of 19% was used to calculate the opening deferred tax asset/(liability) while the rate of 25% has been used to calculate the closing deferred tax asset/(liability).

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****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% (2021: 19%). The actual income tax for the current and previous year differs from the tax credit/(charge) at the standard rate for the reasons set out in the following reconciliation:

	2022 £m	2021 £m
(Loss)/profit before taxation	<u>(346.0)</u>	<u>179.2</u>
Tax credit/(charge) on (loss)/profit before income tax at standard rate of 19% (2021: 19%)	65.7	(34.0)
Factors affecting tax credit for the year:		
Adjustments in respect of prior years	(1.5)	16.9
Permanent differences	6.6	(15.0)
Exempt gain on disposal of CTIL	-	128.9
Re-measurement of deferred tax – change in UK tax rate	412.1	-
Income tax credit for the year	<u>482.9</u>	<u>96.8</u>

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****8. Intangible assets**

	Goodwill	Licence fees	Computer software	Total
	£m	£m	£m	£m
Cost				
At 1 April 2021	309.6	7,284.7	1,909.9	9,504.2
Additions	-	201.0	244.3	445.3
Disposals	-	-	(277.9)	(277.9)
At 31 March 2022	<u>309.6</u>	<u>7,485.7</u>	<u>1,876.3</u>	<u>9,671.6</u>
Accumulated amortisation				
At 1 April 2021	-	6,128.8	1,478.7	7,607.5
Charge for the year	-	334.9	185.7	520.6
Disposals	-	-	(277.9)	(277.9)
At 31 March 2022	<u>-</u>	<u>6,463.7</u>	<u>1,386.5</u>	<u>7,850.2</u>
Net book value				
At 31 March 2022	<u>309.6</u>	<u>1,022.0</u>	<u>489.8</u>	<u>1,821.4</u>
At 31 March 2021	<u>309.6</u>	<u>1,155.9</u>	<u>431.2</u>	<u>1,896.7</u>

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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 2021	282.0	296.2	295.3	8,885.9	158.8	9,918.2
Additions	-	5.7	4.3	448.8	22.3	481.1
Transfers	-	3.7	10.1	-	(13.8)	-
Disposals	(113.0)	(159.0)	(4.4)	(126.2)	-	(402.6)
At 31 March 2022	169.0	146.6	305.3	9,208.5	167.3	9,996.7
Accumulated depreciation						
At 1 April 2021	247.5	292.0	177.1	6,907.9	-	7,624.5
Charge for the year	0.8	7.5	31.0	483.8	-	523.1
Transfers	-	-	2.0	-	-	2.0
Disposals	(107.9)	(164.4)	(1.7)	(124.8)	-	(398.8)
At 31 March 2022	140.4	135.1	208.4	7,266.9	-	7,750.8
Net book value						
At 31 March 2022	28.6	11.5	96.9	1,941.6	167.3	2,245.9
At 31 March 2021	34.5	4.2	118.2	1,978.0	158.8	2,293.7

Included in property, plant and equipment is freehold land with a cost of £9.5m (2021: £9.5m). 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)	28.6	11.5	96.9	1,941.6	167.3	2,245.9
Right of use assets	201.3	10.6	-	1,253.6	-	1,465.5
At 31 March 2022	229.9	22.1	96.9	3,195.2	167.3	3,711.4

Additions of £508.5m and a depreciation charge of £31.4m, £4.5m, £595.4m in respect of land and buildings, Motor vehicles and Network infrastructure, respectively, were recorded in respect of right-of-use assets during the year to 31 March 2022.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

10. Investments

	£m
At 1 April 2021 and at 31 March 2022	<u>25.1</u>

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

Investment held	Principal activity	Holding and Voting Rights %
Talkmobile Limited	Telecommunications services	100
Digital Mobile Spectrum Limited	Telecommunications services	25
Vodafone UK Foundation	Charitable organisation	100

Shareholdings in Talkmobile Limited and Digital Mobile Spectrum Limited are investments in ordinary shares of companies registered in England and Wales. The Company is the sole member of Vodafone UK Foundation, a charitable incorporated organisation (CIO).

Talkmobile U.K. Limited was dissolved on 13 July 2021.

Talkmobile Limited & the Vodafone UK Foundation share the same registered office address as Vodafone Limited. Digital Mobile Spectrum Limited has a registered address of 24/25 The Shard, 32 London Bridge Street, London, SE1 9SG.

11. Inventories

	2022 £m	2021 £m
Finished goods held for resale	<u>120.9</u>	<u>145.0</u>

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 £1,024.0m (2021: £936.7m). Inventories are stated after provisions for impairment of £17.9m (2021: £16.9m).

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

12. Trade and other receivables

	2022	2021
	£m	£m
<i>Trade and other receivables: amounts falling due within one year</i>		
Trade receivables	365.6	360.4
Trade Receivable held at Fair Value through Other Comprehensive Income	181.7	-
Net investment in leases	27.1	13.5
Amounts owed by group undertakings	2,615.5	3,036.0
Group relief receivable	-	-
Other receivables	23.5	8.8
Contract assets	322.4	391.7
Contract related costs	189.0	169.9
Prepayments	138.2	544.2
	<u>3,863.0</u>	<u>4,524.5</u>
<i>Trade and other receivables: amounts falling due after more than one year</i>		
Trade Receivable held at Fair Value through Other Comprehensive Income	228.2	-
Net investment in leases	217.2	215.6
Contract assets	36.5	121.1
Contract related costs	89.3	71.7
Prepayments	27.0	12.3
	<u>598.2</u>	<u>420.7</u>
	<u>4,461.2</u>	<u>4,945.2</u>

In the prior period financial statements 'Trade and other receivables' were presented as a single line item of £4,945.2m on the face of the balance sheet. In line with the requirements of FRS 101 'Reduced Disclosure Framework', the FY21 balance sheet has been represented to have 'Trade and other receivables: amounts falling due within one year' of £4,524.5m and 'Trade and other receivables: amounts falling due after more than one year' of £420.7m presented as separated line items. This reclassification had no impact on the Company's income statement reported in 2021.

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 £116.8m (2021: £131.5m). Contract assets are stated after expected future credit losses of £6.9m (2021: £9.2m). 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 £275.0m (2021: £233.9m) relating to costs incurred to obtain customers contracts and £3.3m (2021: £7.7m) relating to costs incurred to fulfil customer contracts. An amortisation expense of £234.5m (2021: £185.2m) was recognised in the operating profit during the year.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

13. Creditors: amounts falling due within one year

	2022	2021
	£m	£m
Trade payables	563.6	431.2
Amounts owed to group undertakings	2,157.9	2,834.2
Lease liabilities	607.1	503.7
Group relief payable	20.5	13.2
Other taxation and social security costs	246.3	219.4
Other payables	53.5	20.7
Other loans	1.7	10.8
Accruals	369.3	376.4
Contract liabilities	203.5	234.5
	<u>4,223.4</u>	<u>4,644.1</u>

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

Materially, all of the £234.5m recorded as current contract liabilities at 1 April 2021 was recognised as revenue during the year.

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

	2022	2021
	£m	£m
Other payables	0.4	0.3
Lease liabilities	1,220.4	1,461.5
Contract liabilities	13.1	0.6
Other taxes and social security costs	61.4	23.8
	<u>1,295.3</u>	<u>1,486.2</u>

The maturity of creditors falling due after more than one year is as follows:

	2022	2021
	£m	£m
Between 2 and 5 years	957.6	969.2
More than 5 years	337.7	517.0
	<u>1,295.3</u>	<u>1,486.2</u>

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

15. Provisions for liabilities

	Asset retirement obligations	Other	Total
	£m	£m	£m
At 1 April 2021	153.9	29.0	182.9
Amount charged to the income statement	-	24.5	24.5
Additions	21.5	-	21.5
Transfers	-	(3.3)	(3.3)
Released in the year	(3.1)	(5.1)	(8.2)
Utilised in the year	(6.1)	(7.6)	(13.7)
Discount unwind	1.4	-	1.4
At 31 March 2022	167.6	37.5	205.1

The maturity of provisions is as follows:

Amounts falling due within one year	5.9	9.6	15.5
Amounts falling due after more than one year	161.7	27.9	189.6
	167.6	37.5	205.1

Asset retirement obligations are provisions recognised by the Company 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

16. Deferred taxation

	2022	2021
	£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	1,681.3	1,278.8
Share based payments	4.1	2.7
Pension asset	9.5	25.3
Other timing differences	48.0	40.6
Total deferred tax asset	1,742.9	1,347.4
Pension liability	(106.4)	(9.7)
Other timing differences	(1.8)	(1.5)
Total deferred tax liabilities	(108.2)	(11.2)
Net deferred tax asset	1,634.7	1,336.2

Deferred tax assets and liabilities have not been discounted.

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

	2022	2021
	£m	£m
Net asset at the beginning of year	1,336.2	1,124.2
Amount credited to the income statement	409.7	94.2
Amount (charged)/credited to other comprehensive income	(111.2)	106.2
Disposal of joint arrangement	-	11.6
Net deferred asset at the end of year	1,634.7	1,336.2

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

16. Deferred taxation (continued)

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

	2022 £m	2021 £m
Deferred tax assets due within 12 months	38.1	56.8
Deferred tax liabilities due within 12 months	(0.4)	(9.9)
Total deferred tax	<u>37.7</u>	<u>46.9</u>
Deferred tax assets due after 12 months	1,704.8	1,289.3
Deferred tax liabilities due after 12 months	(107.8)	-
Total deferred tax	<u>1,597.0</u>	<u>1,289.3</u>
Total deferred tax asset	<u>1,634.7</u>	<u>1,336.2</u>

Reconciliation of the deferred tax asset as at 31 March 2022

	Accelerated capital allowances £m	Share-based payment £m	Pension surplus £m	Other £m	Total £m
At 1 April 2021	1,278.8	2.7	25.3	40.6	1,347.4
Credited/(charged) to the income statement	402.5	1.4	(15.8)	7.4	395.5
Credited directly to other comprehensive income	-	-	-	-	-
At 31 March 2022	<u>1,681.3</u>	<u>4.1</u>	<u>9.5</u>	<u>48.0</u>	<u>1,742.9</u>

Reconciliation of deferred tax liability as at 31 March 2022

	Accelerated capital allowances £m	Share-based payment £m	Pension surplus £m	Other £m	Total £m
At 1 April 2021	-	-	(9.7)	(1.5)	(11.2)
Credited/(charged) to the income statement	-	-	7.4	6.8	14.2
Charged directly to other comprehensive income	-	-	(104.2)	(7.0)	(111.2)
At 31 March 2022	<u>-</u>	<u>-</u>	<u>(106.5)</u>	<u>(1.7)</u>	<u>(108.2)</u>

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****16. Deferred taxation (continued)**

The recoverability of the 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 deferred Tax Asset will be fully recovered over the next 20 to 25 years.

The tax rate for the current year is 19%. A rate increase in the UK corporation tax rate to 25% was substantively enacted in Finance Act 2021 and applies to accounting periods starting on or after 1st April 2023. The deferred tax asset(liability) above has been calculated based on the proportion of the timing differences which will be utilised or realised within the next 12 months (at the 19% rate) or more than 12 months (at the 25% rate).

17. Called up share capital

	2022 £	2021 £
Allotted, issued and fully paid:		
4,543 (2021: 4,543) ordinary shares of £1 each	4,543	4,543

18. Capital and other commitments

	2022 £m	2021 £m
Contracts for future capital expenditure not provided in the financial statements	46.5	39.2

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

19. Leases

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.

The Company's general approach to determining lease term by class of asset is described 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 and tower sites under finance leases to a fellow group undertaking; 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 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.

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****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:

	2022 £m	2021 £m
Within one year	596.9	512.1
In more than one year but less than two years	344.9	374.6
In more than two years but less than three years	237.1	249.7
In more than three years but less than four years	201.8	185.5
In more than four years but less than five years	193.4	175.0
In more than five years	379.7	560.7
	<u>1,953.8</u>	<u>2,057.6</u>
Effect of discounting	(126.2)	(92.4)
Lease liability	<u>1,827.6</u>	<u>1,965.2</u>

At 31 March 2022, the Company had entered into lease contracts with undiscounted payment obligations totaling £nil (2021: £7.6m) that had not yet commenced.

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

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 also provides wholesale access to the Company's fibre and cable networks to other telecommunication companies. In addition, the Company sub-leases retail stores to franchise partners and sub-leases surplus assets (e.g. vacant offices and retail stores).

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

19. Leases (continued)

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

	2022 £m	2021 £m
Lease revenue (note 2)	38.7	41.7
Income from leases not recognised as revenue	<u>8.3</u>	<u>6.5</u>

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:

	2022 £m	2021 £m
Within one year	51.8	14.3
In more than one year but less than two years	51.6	6.6
In more than two years but less than three years	40.2	6.0
In more than three years but less than four years	35.7	3.1
In more than four years but less than five years	31.6	2.1
In more than five years	<u>41.0</u>	<u>211.2</u>
	251.8	243.3
Effect of discounting	<u>(7.5)</u>	<u>(14.2)</u>
Net investment in leases	<u><u>244.3</u></u>	<u><u>229.1</u></u>

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

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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 2022.

At 31 March 2022, 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 receive matching shares. However, individuals continue to receive Dividend Equivalent awards in the plan.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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 contribution pension schemes

Defined contribution pension costs charged to the Income Statement were £55.8m (2021: £50.9m). There were no amounts accrued, but not paid, in respect of pension schemes at 31 March 2022 (2021: £nil).

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 2019, by an independent actuary appointed by the plan trustee. These valuations revealed a surplus on the CWW Section on the Scheme's funding basis, and a deficit of £173m for the Vodafone Section on the Scheme's funding basis. After allowing for future investment outperformance, the Trustee and Company agreed a contribution of £80m to fund the Vodafone section deficit and the Company made a lump sum funding contribution of £58.8m in September 2020, being its share of the funding deficit.

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.

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****21. Post-employment benefits (continued)**

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. Several 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.

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

	2022	2021
	£m	£m
Current service cost	1.0	0.9
Past service cost	(21.2)	1.9
Interest expense	(0.2)	(11.1)
Administration expense	4.5	4.8
Total net expense	<u>(15.9)</u>	<u>(3.5)</u>

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 2022 by qualified independent actuaries, ISIO Group. Plan liabilities are measured using the projected unit credit method; the principal actuarial assumptions are set out below:

	2022	2021
	Assumption	Assumption
	%	%
RPI Inflation	3.50	3.15
Pension increases	3.40	3.10
Discount rate	<u>2.62</u>	<u>2.00</u>

The assumptions regarding mortality in retirement for the Vodafone UK plan as at 31 March 2022 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

21. Post-employment benefits (continued)

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

	On 31 March 2022	Retiring in 25 yrs
Male	23.4 yrs	25.3 yrs
Female	25.4 yrs	27.4 yrs
	2022 £m	2021 £m
Total market value of assets	4,742.4	4,757.6
Present value of scheme liabilities	(4,354.0)	(4,839.8)
Net surplus/(deficit) over funded obligations	388.4	(82.2)
<u>Represented by:</u>		
Schemes with excess of obligations over assets	(6.3)	(133.1)
Schemes with excess of assets over obligations	394.7	50.9

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.

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 surplus £m
1 April 2021	4,757.6	(4,839.8)	(82.2)
Service cost	-	(1.0)	(1.0)
Past service cost	-	21.2	21.2
Interest income/(cost)	96.2	(96.0)	0.2
Return on plan assets excluding interest income	34.2	-	34.2
Actuarial gains arising from changes in financial assumptions	-	331.2	331.2
Actuarial gains arising from changes in demographic assumptions	-	5.7	5.7
Actuarial gains arising from experience adjustments	-	78.9	78.9
Employer contributions	4.7	-	4.7
Employee contributions	0.1	(0.1)	-
Benefits paid	(145.9)	145.9	-
Expenses paid	(4.5)	-	(4.5)
31 March 2022	4,742.4	(4,354.0)	388.4

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

21. Post-employment benefits (continued)

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit scheme, for the comparative period, was as follows:

	Assets £m	Liabilities £m	Net deficit £m
1 April 2020	4,568.5	(4,098.5)	470.0
Service cost	-	(0.9)	(0.9)
Past service cost	-	(1.9)	(1.9)
Interest income/(cost)	99.6	(88.5)	11.1
Return on plan assets excluding interest income	186.3	-	186.3
Actuarial losses arising from changes in financial assumptions	-	(789.4)	(789.4)
Actuarial losses arising from experience adjustments	-	(12.7)	(12.7)
Employer contributions	60.1	-	60.1
Employee contributions	0.1	(0.1)	-
Benefits paid	(152.2)	152.2	-
Expenses paid	(4.8)	-	(4.8)
31 March 2021	4,757.6	(4,839.8)	(82.2)

Fair value of pension assets	2022 £m	2021 £m
Cash and cash equivalents:		
With quoted prices in an active market	0.3	157.7
Without quoted prices in an active market	8.4	-
Equity investments:		
With quoted prices in an active market	480.0	816.6
Debt instruments:		
With quoted prices in an active market	888.6	3,237.3
Without quoted prices in an active market	-	167.7
Property:		
With quoted prices in an active market	24.3	21.8
Without quoted prices in an active market	298.1	287.6
Derivatives:		
Without quoted prices in an active market	1,463.2	(1,167.6)
Investment fund		
Annuity policies – with quoted prices in an active market	683.0	272.8
Annuity policies – without quoted prices in an active market	178.6	177.8
Assets held by insurance companies:		
Without quoted prices in an active market	717.9	785.9
Total	4742.4	4,757.6

VODAFONE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****FOR THE YEAR ENDED 31 MARCH 2022****21. Post-employment benefits (continued)**

The actuarial gains recognised in the Statement of Total Comprehensive Income for the year to 31 March 2022 were £450.0m (2021: £615.8m loss).

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2022 is 22.3 years (2021: 22.3 years).

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, result in an increase, or decrease, in the present value of the defined benefit obligation, as at 31 March 2022.

	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	<u>(356.7)</u>	<u>352.1</u>	<u>495.8</u>	<u>(429.9)</u>	<u>(159.1)</u>	<u>158.5</u>

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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

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, and their parent companies. The administrators allege collusion between the MNOs to pull their business from Phones 4U thereby causing its collapse. Vodafone and the other defendants filed their defences in April 2019 and the Administrators filed their replies in October 2019. Disclosure has taken place and witness statements were filed in December 2021. The judge has also ordered that there should be a split trial between liability and damages. The first trial started in May 2022.

Taking into account all available evidence, the Company assesses it to be more likely than not that a present obligation does not exist and that the allegations of collusion are completely without merit; the Group is vigorously defending the claim. The value of the claim is not pleaded but we understand it to be the total value of the business, allegedly equivalent to approximately £1 billion with the addition of alleged exemplary damages. Vodafone's alleged and share of the liability is also not pleaded. The Company is not able to estimate any possible loss in the event of an adverse judgement.

23. Related party disclosures

The Company has a number of related parties including pension schemes and directors (see note 5 'Directors' remuneration', note 10 'Investments' and note 21 'Post-employment benefits').

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.

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 2022 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.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

25. Disposal of joint arrangement

There were no disposals in the financial year to 31 March 2022.

On 14 January 2021 the Company sold its 50% joint arrangement share in Cornerstone Telecommunications Infrastructure Limited for a cash consideration of £1,096.3m. The post-tax gain on disposal of the discontinued operation was determined as follows:

	£m	£m
Total cash consideration received		1,096.3
Cash disposed of	(9.8)	
Net cash inflow on disposal of discontinued operation		1,086.5
<i>Net assets disposed of (other than cash):</i>		
Intangible assets	(52.9)	
Property, plant and equipment (<i>including right of use assets</i>)	(931.4)	
Trade and other receivables	(37.9)	
Trade and other payables (<i>including lease liabilities</i>)	670.8	
Provisions for liabilities	10.1	
		(341.3)
Other costs of disposal		(12.3)
Pre-tax gain on disposal of joint arrangement		732.9
Tax expense		-
Post-tax gain on disposal of joint arrangement		732.9
Restriction of gain		(54.4)
Gain on disposal of joint arrangement		678.5

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2022

25. Disposal of joint arrangement (continued)

Cornerstone Telecommunications Infrastructure Limited has been accounted as a discontinued operation for all periods up to 14 January 2021, the date the transaction completed. The results included within the Company's Income Statement are detailed below.

	9.5 months to 14 January 2021 £m
Revenue	-
Cost of sales	-
Gross profit	-
Administrative expenses	(179.3)
Operating loss	(179.3)
Net finance expense	(2.7)
Loss on ordinary activities before taxation	(182.0)
Income tax on ordinary activities	0.2
Loss for the financial year	(181.8)
Profit on disposal of business combination	678.5
Profit for the financial year from discontinued operations	496.7