Apollo Submarine Cable System Limited

Company No: 05080148

Annual Report and Financial Statements

For the Year Ended 31 March 2020

Registered office

Vodafone House
The Connection
Newbury
Berkshire
RG14 2FN
United Kingdom

Apollo Submarine Cable System Limited

Company No: 05080148

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Company Information

Directors

Richard Perry

Vodafone Enterprise Corporate Secretaries Limited

Alexander Lentink

Helen Cabell

Company secretary

Vodafone Enterprise Corporate Secretaries Limited

Registration number 05080148

Registered office

Vodafone House
The Connection
Newbury
Berkshire
United Kingdom
RG14 2FN

Independent Auditors

Ernst & Young LLP
Statutory Auditor
1 More London Place
London
United Kingdom
SE1 2AF

Apollo Submarine Cable System Limited

Company No: 05080148

Strategic Report for the Year Ended 31 March 2020

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

Principal activities

Apollo Submarine Cable System Limited ('the Company') is a wholly owned subsidiary of Vodafone Group Plc ('the Group').

The principal activity of the Company is the operation and maintenance of the transatlantic Apollo sub-sea cable system. As part of this activity, the Company sells telecommunication services over two transatlantic fibre optic cable networks to third parties. Sales of capacity may be in the form of leases, or indefeasible rights of use ("IRU's") to pass voice and data traffic over the cable system. In addition to these sales of capacity that are reported as revenue, during previous financial years the Company also granted IRUs to specific fibre pairs on the cable system for the remaining economic life of the cable system. Income from these sales was accounted for as disposals of network assets.

Review of the business

The key financial and other performance Indicators used to manage the business during the year were:

- Financial performance (profit, operating and maintenance costs) against annually reviewed targets
- Financial position (net current assets and net assets) against annually reviewed targets
- Sales volumes and price targets
- Delivery of contracted services against Service Level Agreements

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are:

<u>Market conditions</u>

The transatlantic capacity market is very competitive with several submarine cable operators actively selling services to a limited number of purchasers who make buying decisions based on route diversity, system performance and price. Although the Company has just one competitor on its southern route which links the US and France, cables linking the US and UK are essentially commodities with little route diversity. The level of competition in the Atlantic has seen prices falling steadily in recent years, especially on routes between the US and UK. However, increasing demand for capacity from internet companies with bandwidth intensive operational requirements has resulted in a reduction in downward pressure on prices and prospects for a significant reduction in excess capacity. The Company has also mitigated the risk of downward pricing pressure by diversifying its activities to include the sale of network assets. Additionally the Company is further diversifying by becoming a member of a consortium to construct and operate two new cable systems around the east and west coasts of Africa, collectively referred to as the 2Africa project.

<u>Reliance on a limited number of customers</u>

The Company contracts with a limited number of customers for sales of capacity and other service offerings. The loss of any single customer would not significantly impact the ability of the Company to continue its operations. Furthermore, the Company owns network assets which are used by other Vodafone Group plc undertakings for the purposes of selling capacity to third parties. Since 1 April 2018, the Company has been party to an agreement with these entities which compensates the Company for the use of its network assets.

Asset valuations

The potential for new technologies to require a rapid upgrade to the asset base could lead to potential asset write downs. The risk has been reduced by active review of the appropriateness of the asset lives used and where necessary, the shortening of remaining lives.

Repairs

Although most operational costs are relatively fixed the Company's network assets are exposed to some risks of external aggression which could potentially require expensive repair operations and compensation payments to customers or third parties. These risks are managed by means of insurance and cable protection activities. In addition, the disposal of network assets in prior years has resulted in commitments from the customer to reimburse the Company for an appropriate share of these costs as they are incurred.

Financial position and liquidity

The statement of financial position is set out on page 15 of the financial statements and shows the Company's financial position at the end of the year.

The Company is party to an agreement that results in cross-charges of revenue and operating costs of the Company to other Vodafone Group plc undertakings (hereafter referred to as "recharges of telecommunications services"). The impact of these cross-charges is designed to result in a margin on defined operating costs. The Company achieved an operating profit for the year of $239,000 (2019: operating loss $639,000). The reason for the increase in profitability was due to the type and mix of costs incurred by the Company and their interaction with the cross-charging mechanism. Certain costs incurred by the Company will result in a recharge to group undertakings, whereas others will not. Additionally, some costs will include a margin on recharge, others will not. In the current year, the nature and mix of costs were favourable in this regard.

The Company made a profit for the financial year $952,000 (2019: loss of $95,000). The reason for the return to profitability is attributable to the factors detailed below:

The Company incurred a tax expense for the year of $224,000. In the prior year the Company suffered a tax expense of $1,129,000. The tax expense in the preceding financial year was inflated by taxes payable by the Company's French Branch which was established in that year. The establishment of the Branch allowed prior years' services to be billed to a customer, incurring significant additional tax payable in that year.

Conversely, net finance income decreased to $937,000 from $1,673,000. The principal reason for this decrease was due to less interest earned on surplus cash held on deposit with Vodafone Group Plc as a result of a lower amount held on deposit and by the application of lower interest rates.

Revenue for the year decreased to $7,624,000 from $12,976,000. The principal reason for the decrease was as a result of a decrease of recharges of telecommunications services to Vodafone Group Plc undertakings which reduced to $2,096,000 from $5,275,000. These recharges are based on certain costs incurred by the Company, which decreased in the year. Additionally, the prior year benefited from the invoicing of services, amounting to $1,261,000 delivered in prior years by the French Branch.
Further, there is downward pressure on selling prices and reduced demand for new service contracts and operating lease deals as certain customers are seeking to take ownership of the physical cable over which their traffic passes as explained above.

Cost of sales decreased from $12,924,000 to $7,600,000. The reasons for this decrease were as follows:
The Company incurred net operating and maintenance costs for the year of $82,000 (2019: $2,823,000). The reduction in the year was mostly due to the cessation of service fees payable to the Company's subsidiary undertaking, Cable and Wireless Americas Systems, Inc.. The fees payable in the year ended 31 March 2019 were $2,934,000.

Depreciation expense decreased from $2,394,000 to $1,989,000. For comparison purposes, the current year depreciation charge of $1,989,000 includes $769,000 of depreciation on right of use assets (2019: $1,593,000). The decrease in depreciation on right of use assets was as a result of certain backhaul assets becoming fully depreciated before the year end.

Financial position key performance indicators

The Company had creditors payable within one year of $22,420,000 at 31 March 2020 (2019: $15,054,000). The increase in the financial year was driven by $7,479,000 (2019: $Nil) of accrued costs relating to the signing of the 2Africa build contracts. The Company had trade and other receivables of $66,599,000 at 31 March 2020 (2019: $57,476,000), primarily consisting of $53,057,000 due from Group companies (2019: $52,930,000) and other receivables of $7,536,000 (2019: $28,000). The increase in other receivables was due to assets related to the 2Africa contract of $7,479,0000 (2019: $Nil).

Other key performance indicators

The Company operates a fixed telecommunications network with limited opportunities to differentiate its customer service offering other than its pricing strategy, which is to a greater extent determined by its competitors. The Company's Directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development or position of the business.

Future development

Since the Company became a wholly owned member of Vodafone Group plc in September 2015, the strategy of the Company has been to maximise the sale of capacity to its existing customers as well as to identify other parties interested in buying certain cable assets of the Company. Other Vodafone Group plc undertakings actively sell capacity on the Apollo network independently of the Company and in this regard, the Company operates to safeguard the assets used by these entities. The financial impact of these transactions on the Company are reflected as third party when the Company is primary obligor or intercompany where appropriate.

In February 2020 the Company signed an agreement to become a member of a consortium which will construct and operate two new submarine optical fibre cable systems along the east and west coasts of Africa. The two cable systems will become operational during 2023 and will allow the Company to diversify its activities away from its current focus in the North Atlantic.

Corporate Governance

Section 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

Approved by the Board on 31 March 2021 and signed on its behalf by:

DocuSigned by:

Alexander Lentink

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Alexander Lentink

Director

Apollo Submarine Cable System Limited

Company No: 05080148

Directors' Report for the Year Ended 31 March 2020

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

Incorporation
The Company was incorporated as a private company limited by shares on 22 March 2004 and registered in England and Wales.

Principal activities
Details of principal activities are set out in the Strategic Report on page 2.

Results and Dividends
The income statement is set out on page 13 of the financial statements. For the year ended 31 March 2020, there was a profit on ordinary activities after taxation of $952,000 (2019: loss of $95,000).

The Directors do not recommend the payment of a dividend for the year ended 31 March 2020 (2019: $nil).

Directors of the Company
The Directors, who held office during the year, were as follows:

Richard Perry

Vodafone Enterprise Corporate Secretaries Limited

Alexander Lentink

Alan Milton (resigned 4 June 2020)

Helen Cabell (appointed 4 June 2020)

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

Political and charitable donations
No charitable donations, political donations or contributions to political parties under the Companies Act 2006 have been made by the Company during the financial year (2019: $nil). The Company follows Vodafone Group policy in that no political donations be made or political expenditure incurred.

Principal risks and uncertainties
The Company follows the board-approved policies of its ultimate parent, Vodafone Group Plc, to manage its principal financial risks which include liquidity risk, market risk (interest rate management and foreign exchange management) and credit risk.

The Company has limited exposure to foreign currency/market risks as its principal trading and transactional currency is the US Dollar.

The Group's treasury function provides a centralised treasury service to the Company, and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management.

The other financial risks the Directors consider relevant to the Company are credit risk and liquidity risk. These risks are mitigated by the fact that the counterparty of the majority of debtor balances are blue chip enterprises or other Vodafone Group plc undertakings that are considered able to pay their debts. 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 on financial risk management can be found in the annual report and financial statements of Vodafone Group Plc for the year ended 31 March 2020.

The COVID-19 pandemic has brought significant disruption to the staff, suppliers and customers of the Company and the Group. It is likely to change the global economic, social, political and business landscape for the foreseeable future. The Vodafone Group Annual report contains full details of the strategy and five-point plan, which the Group have adopted to identify new opportunities, which may arise, or risks, which may change materially.

The following areas were identified as the ones with the most impact on principal risks:
- The health, safety and wellbeing of our employees
- Delays across the supply chain
- Anticipation of a continued increase in volume and scale of financially motivated cyber attacks

With the COVID-19 crisis evolving, senior management in the Group have remained in close contact with our local health authorities, governmental agencies and other key stakeholders so that we can react and adapt to any changes in circumstances and minimise the risk to Vodafone and our customers, employees and other stakeholders.

The Directors have considered the impact of COVID-19 and would not envisage any consequential impact on the Company.

Further details of principal risks and uncertainties are set out in the Strategic Report on page 2.

Financial position and Liquidity

Details of financial position and liquidity are set out in the Strategic Report on page 3.

Corporate Governance

Section 172(1) statement

Details of section 172(1) statement are set out in the Strategic Report on page 5.

Stakeholder engagement

Decisions are made by the Company can impact one or more of our key stakeholder groups in quite different ways. This requires a considered and balanced approach to decision-making, ensuring high-quality information is provided to the Directors in a timely manner, and diversity of thought and open discussion amongst Directors is encouraged by during meetings.

Principal decisions are assessed as material to the Vodafone Group's strategy. Our key stakeholder groups are identified as most likely to be affected by the principal decisions of the Company and include our customers, our people, our suppliers, our local communities and non-governmental organisations, regulators and governments and our investors. Further details of the Company's interaction with stakeholders is provided in the Vodafone Group Plc Annual Report 2020 on pages 12 and 13 (available to view online at vodafone.com/ar2020).

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.

Research and development
The Company incurs no expenditure on research and development activities.

Going concern
The potential impact of COVID-19 on the Company has been considered as part of the Company's going concern assessment. In reaching its conclusion, the Directors also considered the findings of the work performed by Group to support the statement on the long-term viability of the Group. This included key changes to the principal risks relevant to the sustainability of the Group's operations in light of the COVID-19 pandemic, sensitivity analysis, scenario assessments, and combinations thereof, including that of a longer-term global recession with likely impacts beyond 2020.

In conclusion, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The net current assets position at 31 March 2020 was $49,247,000 (2019: $47,216,000). The Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Statement of Directors' Responsibilities
The Directors are responsible for preparing directors' report and the financial statements in accordance with applicable law and regulations.

Company law of England and Wales requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether applicable UK Accounting Standards, including FRS 101 have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records 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. They are also responsible for the system of internal control, for safeguarding the assets of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 from 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, Vodafone Group Plc maintained a directors and officers' liability insurance policy throughout the financial year. 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.

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 has 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.

Reappointment of auditors
Following the signing of these Financial Statements, Ernst and Young LLP will be reappointed as auditors for the financial year ending 31 March 2021.

Events after the reporting period
The Company will continue to monitor the implications for Vodafone's operations in light of the new trading relationship between the UK and the EU, which has now been negotiated. We would not envisage this new trade deal to have a detrimental impact on the Company.

Approved by the Board on 31 March 2021 and signed on its behalf by:

DocuSigned by:
Alexander Lentink
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Alexander Lentink
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APOLLO SUBMARINE CABLE SYSTEM LIMITED

Opinion

We have audited the financial statements of Apollo Submarine Cable System Limited for the year ended 31 March 2020 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 23, 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 2020 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

31 March 2021

Apollo Submarine Cable System Limited

Company No: 05080148

Income Statement for the Year Ended 31 March 2020

	Note	2020 $ 000	2019 $ 000
Revenue	5	7,624	12,976
Cost of sales		(7,600)	(12,924)
Gross profit		24	52
Other income/(expense)		215	(691)
Operating profit/(loss)	6	239	(639)
Finance income	7	1,091	1,772
Finance expense	7	(154)	(99)
Finance income - net		937	1,673
Profit before taxation		1,176	1,034
Income tax expense	8	(224)	(1,129)
Profit/(loss) for the financial year		952	(95)

The above results were derived from continuing operations.

The notes on pages 17 to 41 form an integral part of these financial statements.

Apollo Submarine Cable System Limited

Company No: 05080148

Statement of Comprehensive Income for the Year Ended 31 March 2020

The Company has not recognised any other comprehensive income / (expense) and therefore no separate statement of comprehensive income has been prepared in respect of either year.

The notes on pages 17 to 41 form an integral part of these financial statements.

Apollo Submarine Cable System Limited

Company No: 05080148

Statement of Financial Position as at 31 March 2020

	Note	2020 $ 000	2019 $ 000
Non current assets			
Property, plant and equipment	10	6,298	8,656
Right of use assets	11	366	-
Investments in subsidiaries	12	5,553	5,553
Deferred tax asset	9	674	812
		12,891	15,021
Current assets			
Trade and other receivables	13	66,599	57,476
Cash and cash equivalents		5,068	4,794
		71,667	62,270
Creditors: Amounts falling due within one year	14	(22,420)	(15,054)
Net current assets		49,247	47,216
Total assets less current liabilities		62,138	62,237
Creditors: Amounts falling due after more than one year	15	(5,254)	(6,284)
Provisions for liabilities	17	(1,205)	(1,226)
Net assets		55,679	54,727
Equity			
Capital and reserves			
Called up share capital	16	11	11
Retained earnings		55,668	54,716
Total Shareholders' funds		55,679	54,727

These financial statements were approved by the Board and authorised for issue on 31 March 2021 and signed on its behalf by:

DocuSigned by:
Alexander Lentink
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Alexander Lentink
Director

The notes on pages 17 to 41 form an integral part of these financial statements.

Apollo Submarine Cable System Limited

Company No: 05080148

Statement of Changes in Equity for the Year Ended 31 March 2020

	Called up share capital $ 000	Retained earnings $ 000	Total $ 000
At 1 April 2018	11	54,798	54,809
Impact of adoption IFRS 9	-	13	13
At 1 April 2018 (As restated)	11	54,811	54,822
Loss for the year	-	(95)	(95)
Total comprehensive expense for the year	-	(95)	(95)
At 31 March 2019	11	54,716	54,727
At 1 April 2019	11	54,716	54,727
Profit for the year	-	952	952
Total comprehensive income for the year	-	952	952
At 31 March 2020	11	55,668	55,679

The notes on pages 17 to 41 form an integral part of these financial statements.

1 General information

Apollo Submarine Cable System Limited ('the Company') operates two transatlantic fibre optic cables, which connect the United Kingdom and the USA (North) and France and the USA (South). The Company generates income principally by sales of network capacity along these two cables.

The Company is a private company limited by shares, incorporated and domiciled in England and Wales.

The address of its registered office is:
Vodafone House
The Connection
Newbury
Berkshire
RG14 2FN
United Kingdom

Registration number: 05080148

These financial statements were authorised for issue by the Board on 31 March 2021.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on page 28.

The Company has applied FRS 101 as issued in March 2018, which reflects the amendments made as part of the Triennial Review 2017. The Triennial Review amendments have had no material impact on the financial statements of the Company.

The Company's functional and presentation currency is United States Dollar.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

• The requirements of paragraph 38 of IAS 1 *Presentation of Financial Statements* comparative information requirements in respect of:

(i) paragraph 79(a)(iv) of IAS 1;

(ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment;*

• The requirements of following paragraphs of IAS 1 *Presentation of Financial Statements*:
- 10(d), (statement of cash flows);
- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
- 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);
- 134-136 (capital management disclosures);

• The requirements of IAS 7 *Statement of Cash Flows*;

• The requirements of 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);

• The requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures*;

• The requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group

• The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*, because equivalent disclosures are included in the Vodafone Group Plc Annual Report in which the entity is consolidated;

• The requirements of IFRS 7 *Financial Instruments: Disclosures*, because equivalent disclosures are included in the Vodafone Group Plc Annual Report in which the entity is consolidated;

• The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement*, because equivalent disclosures are included in the Vodafone Group Plc Annual Report in which the entity is consolidated;

• 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*;

• The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*;

• The requirements of paragraph 58 of IFRS 16 *Leases*, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Going concern

The financial statements have been prepared on a going concern basis. 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 Directors' report on page 6.

The Directors have reviewed the financial position of the Company. Accordingly, they expect that the Company will be able to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.1.3 New standards, amendments and IFRIC interpretation

A new accounting standard, IFRS 16 "Leases" was adopted by the Company on 1 April 2019. The impact of adopting this standard on the financial statements at 1 April 2019, and the key changes to the accounting policies previously applied by the Company, are disclosed below within this note. The Company's new lease accounting policy under IFRS 16 and previous lease accounting policy under IAS 17 "Leases" is disclosed in note 2.11. In addition, no further new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020, have had a material impact on the Company.

IFRS 16 "Leases" was adopted by the Company on 1 April 2019, using the modified approach, with the cumulative retrospective impact reflected as an adjustment to equity on the date of adoption and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The Company has applied the following expedients in relation to the adoption of IFRS 16: The right-of-use assets were measured at an amount based on the lease liability at adoption; initial direct costs incurred when obtaining leases were excluded from this measurement. Lease prepayments and accruals previously recognised under IAS 17 at 31 March 2019 were added to and deducted from, respectively, the value of the right-of-use assets on adoption.

The Company's right-of-use assets are recorded separately in non-current assets (see note 11).

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

• Under IAS 17, lessees classified leases as either operating or finance leases. Operating lease costs were expensed on a straight-line basis over the period of the lease. Finance leases resulted in the recognition, in the statement of financial position, of an asset and a corresponding liability for lease payments, at present value. Under IFRS 16 all lease agreements give rise to the recognition of a 'right-of-use asset' representing the right to use the leased item and a liability for any future lease payments over the 'reasonably certain' period of the lease, which may include future lease periods for which the Company has extension options;

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.3 New standards, amendments and IFRIC interpretation (continued)

• Lessee accounting under IFRS 16 is similar to finance lease accounting for lessees under IAS 17; lease costs are recognised in the form of depreciation of the right-of-use asset and interest on the lease liability which is generally discounted at the incremental borrowing rate of the Company, although the interest rate implicit in the lease is used when it is more readily determinable. Interest charges will typically be higher in the early stages of a lease and will reduce over the term. Lease interest costs are recorded in financing costs;

• Lessor accounting under IFRS 16 is similar to IAS 17. The only substantive change is that if the Company sub-leases assets it classifies the lease out as either operating or finance leases by reference to the terms of the head lease contract whereas under IAS17 the classification was determined by reference to the underlying asset leased out.

2.2 Exemption from preparing group accounts

The financial statements contain information about Apollo Submarine Cable System Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it is included by full consolidation in the consolidated financial statements of its ultimate parent, Vodafone Group Plc, a company incorporated in United Kingdom.

2.3 Foreign currency transactions and balances

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in United States Dollar, which is the Company's functional and presentation currency and is denoted by the symbol $.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges. All other foreign exchange gains and losses are presented in the income statement within 'Other (expense)/income'.

The Company has used year-end exchange rate of 1.23997 (USD to GBP) as at 31 March 2020 (2019: 1.2933).

2 Significant accounting policies (continued)

2.4 Property, plant and equipment

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

Cost includes materials, direct labour and other incremental costs applicable to the design construction and connection of telecommunications networks and equipment.

Where the Company has a legal or constructive obligation to dismantle and remove its assets and restore the relevant sites, a provision is made for the estimated costs of the asset retirement obligation.

The present value of the asset retirement obligation is capitalised as part of the initial cost of the asset.

Depreciation is provided on all property, plant and equipment at a rate calculated to write off the cost, less estimated residual value, of each asset on straight-line basis over its expected useful life as follows:

Land	Not depreciated
Buildings	23 years
Other property, plant and equipment	5 to 13 years
Network infrastructure	5 to 23 years

The residual value and useful live of the assets are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater that its estimated recoverable amount.

Impairment losses recognised in prior periods are reversed if, and only if, there has been a change in circumstances indicating that the impairment to the assets recoverable amount may have decreased or reversed.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

2.5 Investments in subsidiaries

Investments in subsidiaries held as fixed assets are stated at cost less provision for any permanent diminution in value.

At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

2 Significant accounting policies (continued)

2.5 Investments in subsidiaries (continued)

There are very few circumstances where an impairment loss would be reduced or reversed. Where a reduction or reversal of impairment is considered appropriate the increased carrying amount must not exceed the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior years. Any increase to the carrying value of the investment would need to be assessed and deemed permanent.

If the criteria are met for reversal of an impairment loss then the reversal is immediately recognised in the income statement.

2.6 Trade and other receivables

Trade receivables are amounts due from Vodafone Group Companies and third parties customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are disclosed as current assets, if not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. 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 applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled services and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Receivables are written off when management considers them to be irrecoverable.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.8 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2 Significant accounting policies (continued)

2.9 Current and deferred tax

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

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

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.

2.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

2.11 Leases

As disclosed in note 2.1.3, the Company applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately; key differences between IFRS 16 and IAS 17 and IFRIC 4 are described in note 2.1.3.

2 Significant accounting policies (continued)

2.11 Leases (continued)

Lease accounting policy under IFRS 16

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 on acquisition based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. If right-of-use assets are considered 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 incremental borrowing rates of the Company (the rate implicit in the lease is used if it is readily determinable). 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.

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.

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

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

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

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

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

2 Significant accounting policies (continued)

2.12 Financial assets

Classification

The Company classifies its financial assets in the category of receivables. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's receivables comprise amounts owed by group undertakings and other receivables, excluding prepayments, in the statement of financial position.

Recognition and measurement

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within interest income or expenses in the period in which they arise.

Impairment of financial assets

Assets are carried at amortised cost. The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Significant accounting policies (continued)

2.13 Financial liabilities

Classification

The Company classifies its financial liabilities in the category of creditors. Creditors are non-derivative financial liabilities. They are included in current liabilities, except where maturities greater than 12 months after the end of the reporting period. These are classified in non-current liabilities. The Company's payables comprise amounts owed to group undertakings and other payables, in the statement of financial position.

Recognition and measurement

Financial liabilities 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.

2.14 Derivatives and hedging

The Company provides centralised functions on behalf of the Group and recharges service costs to the Group's subsidiaries. This activity exposes the Company to the financial risks of changes in foreign exchange rates. The Company co-ordinates and manages the related foreign exchange risk using foreign exchange forward and swap derivatives.

The use of foreign exchange forward and swap derivatives is governed by the Group's policies approved by its Board of Directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Under the Group’s foreign exchange management policy, foreign exchange transaction exposure in Group companies is generally maintained at the lower of €5 million per currency per month or €15 million per currency over a six-month period.

Derivative financial instruments are initially recognised at fair value on the contract date and are subsequently re-measured to fair value at each reporting date. The Company uses cash flow hedge accounting to minimise profit and loss volatility on foreign exchange forward and swap derivatives.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity within the cash flow hedging reserve. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the net cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2 Significant accounting policies (continued)

2.14 Derivatives and hedging (continued)

The Directors have elected to take the exemption from the disclosure requirements of IFRS 7 Financial Instruments: Disclosures, on the basis that the Company is a wholly owned subsidiary included within the publicly available consolidated financial statements of Vodafone Group Plc, which includes the disclosure requirements of IFRS 7.

2.15 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities (or in the normal operating cycle of the business if longer), if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2.16 Revenue recognition

Revenue represents the value of services supplied by the Company charged to third-parties and to other Group entities excluding value added tax. Revenue is earned in respect of services provided to Vodafone Group subsidiaries by the Company's centralised functions. Revenue is recognised to the extent the Company has rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

Capacity leases and IRU sales which meet the following criteria are accounted for as disposals of fixed assets:

- the purchaser's right of use is exclusive and irrevocable
- the asset is tangible, specific and separable
- the term of the contract is for the major part of the asset's useful economic life
- the attributable cost of carrying value can be measured reliably
- no risks are retained by the Company

Income from capacity lease and IRU contracts which do not meet the criteria above is recognised evenly over the term of the agreement and included in revenue. Any other income, including that relating to the recovery of shared operations and maintenance expenses, is recognised when it arises and is included in revenue. Income transactions that qualify as finance leases are reflected in the financial statements as asset disposals immediately. Cash consideration is received upfront and there is no finance income element to recognise.

3 Critical accounting judgements and key sources of estimation uncertainty

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 could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities during the reporting period are addressed below:

3.1 Recoverability of deferred tax asset

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. The carrying amount of deferred tax assets is reviewed at each reporting period and adjusted to reflect changes in the Group's assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.2 Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a tangible or intangible asset or group of tangible or intangible assets is impaired. A tangible or intangible asset or a group of tangible or intangible assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more evènts that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the tangible or intangible asset or group of tangible or intangible assets that can be reliably estimated.

3.3 Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

3.4 Lease accounting

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

Lease identification

In order to determine whether an arrangement is considered to be a lease or a service contract both the legal form and substance of the arrangement between the Company and the counter-party are analysed to determine if control of an identified asset has been passed between the parties, if not, the arrangement is a service arrangement. If the Company obtains substantially all of the economic benefit from the use of the asset, and has the ability to direct its use, for a period of time then a right of use asset is identified if the 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 impact of determining whether the Company has a lease or service are described below.

• As 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).

• 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.

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.

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. The value of the right-of-use asset and lease liability will be greater when extension options are included in the lease term.

3.5 Impairment of investment in subsidiary

In making the judgement for impairment of investment in subsidiary, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the subsidiary.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

3.6 Impairment of trade and other receivables

The Company applies the IFRS 9 approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets. For this impairment assessment, management considers factors including aging profile of receivables, historical experience and the level of group support available to these Group entities.

3.7 Provision for asset retirement obligations

Provision is made for asset retirement obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

4 Employees and Directors' remuneration

Employees

The Company had no employees during the year (2019: nil).

Directors

The Directors did not receive any emoluments from the Company in respect of their services during the year (2019: $nil).

The Company's Directors were remunerated by other Group companies.

5 Revenue

The Company considers revenues according to the nature of the services provided and the underlying contractual terminology. All services are considered to fall into a single class of business, namely telecommunications.

The analysis of the Company's revenue for the year by category is as follows:

	2020 $ 000	2019 $ 000
Other revenue	-	266
Indefeasible right of use	916	1,024
Leases	1,637	2,107
Operating and maintenance revenue	1,453	1,427
Collocation and facilities services	1,522	2,877
Recharges of telecommunications services to Vodafone Group Plc undertakings	2,096	5,275
	7,624	12,976

Revenue disaggregation is applied where it is considered that the revenues have substantially different characteristics. The Company manages its revenues by geographical areas as follows:

	2020 $ 000	2019 $ 000
United Kingdom	7,267	11,393
France	357	1,583
	7,624	12,976

6 Operating profit/(loss)

The operating profit/(loss) for the year and prior year is stated after (charging)/crediting:

	2020 $ 000	2019 $ 000
Depreciation charge on property, plant and equipment (see note 10)	(769)	(2,394)
Network maintenance and other related costs	(82)	(2,823)
Gain on disposals of property, plant and equipment	1	157
Foreign exchange losses	(24)	(150)
Audit fee payable to the company's auditor	(58)	(56)
Impairment of trade receivables	166	-
Telecommunication service recharges payable to group undertakings	(5,529)	(7,701)
Depreciation on right of use assets (see note 11)	(1,220)	-

The Company's auditors have not received any non-audit fees.

7 Interest income and expense

	2020 $ 000	2019 $ 000
Finance income		
Interest receivable from group undertakings	1,091	1,772
Total finance income	1,091	1,772
Finance expense		
Interest payable to group undertakings	(103)	(82)
Unwind of discount on asset retirement obligation	(51)	(17)
Total finance expense	(154)	(99)
Net finance income	937	1,673

8 Income tax

	2020 $ 000	2019 $ 000
United Kingdom corporation tax (expense)/credit:		
Current year tax (expense)/credit	(14)	110
Tax adjustments in respect of prior years	(3)	(6)
Total UK current tax (expense)/credit	(17)	104
Overseas current tax (expense)/credit:		
Current year tax expense	(69)	(780)
Total overseas current tax expense	(69)	(780)
Total current tax expense	(86)	(676)
Deferred taxation		
Arising from changes in tax rates and laws	95	53
Deferred taxation expense - current year	(233)	(296)
Deferred taxation expense - prior year	-	(210)
Total deferred tax expense	(138)	(453)
Total income tax expense in the income statement	(224)	(1,129)

8 Income tax (continued)

The actual tax expense for the current and previous year differs from the tax expense at the standard rate of corporation tax in the UK of 19% (2019: 19%) for the reasons set out in the reconciliation below:

	2020 $ 000	2019 $ 000
Profit before tax	1,176	1,034
Corporation tax expense at standard rate of 19% (2019: 19%)	(223)	(196)
Factors affecting the tax (expense)/credit for the year:		
Effect of changes in tax rates on deferred tax	95	53
Overseas tax suffered	(69)	(780)
Permanent differences	(24)	10
Prior period adjustments	(3)	(216)
Total tax expense	(224)	(1,129)

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

9 Deferred taxation

The elements of deferred taxation which have been recognised as an asset/(liability) in the statement of financial position are as follows:

	2020 $ 000	2019 $ 000
Accelerated capital allowances	661	802
Other temporary differences	13	10
Deferred tax assets	674	812

9 Deferred taxation (continued)

	2020 $ 000	2019 $ 000
Deferred tax assets due within 12 months	146	216
Deferred tax liabilities due within 12 months	-	-
Deferred tax assets due within 12 months	146	216
Deferred tax assets due after 12 months	528	598
Deferred tax liabilities due after 12 months	-	(2)
Deferred tax assets due after 12 months	528	596
Deferred tax assets	674	812

The reconciliation of the deferred taxation as at 31 March 2020 is as follow:

	Accelerated capital allowance $ 000	Other temporary differences $ 000	Total $ 000
At 1 April 2019	802	10	812
Amount (charged)/credit to the income statement	(141)	3	(138)
At 31 March 2020	661	13	674

The tax rate for the current year is 19%. A rate reduction in the UK corporation tax rate to17% was substantively enacted in Finance Act 2016 and the rate of 17% was used to calculate the opening balance sheet deferred tax asset/(liability). In 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The new law was substantively enacted on 17 March 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023, the corporation tax rate would rise from 19% to 25%. This new rate of 25% will not be substantively enacted until after 31 March 2021.

As a result, the rate of 19% has been used to calculate the closing balance sheet deferred tax asset/(liability). The effect of the change in rate, from 17% to 19%, that is being applied to the deferred tax asset/(liability) is included in these financial statements.

10 Property, plant and equipment

	Land and buildings $ 000	Network infrastructure $ 000	Other property, plant and equipment $ 000	Total $ 000
Cost:				
At 1 April 2019	1,900	31,974	453	34,327
Additions	-	-	2	2
Disposals	-	(7)	-	(7)
Transfers	-	(13,391)	-	(13,391)
At 31 March 2020	1,900	18,576	455	20,931
Accumulated depreciation:				
At 1 April 2019	1,001	24,470	200	25,671
Charge for the year	67	676	26	769
Disposals	-	(1)	-	(1)
Transfers	-	(11,806)	-	(11,806)
At 31 March 2020	1,068	13,339	226	14,633
Net book value:				
At 31 March 2019	899	7,504	253	8,656
At 31 March 2020	832	5,237	229	6,298

Transfers relate to right of use assets disclosed separately in note 12. The depreciation charge on these assets in the preceding financial year was $1,593,000.

11 Leases

The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the statement of financial position

	2020 $ 000
Right-of-use-assets	
Network equipment and capacity	366

Additions to the right-of-use assets during the financial year ending 31 March 2020 were nil.

Amounts recognised in the income statement

	2020 $ 000
Depreciation charge of right-of-use-assets	
Network equipment and capacity	1,220

12 Investments

Shares in group undertakings	2020 $ 000
Cost:	
As at 31 March 2019, 1 April 2019 and 31 March 2020	7,100
Provision:	
At 31 March 2019, 1 April 2019 and 31 March 2020	(1,547)
Net book value:	
As at 31 March 2019, 1 April 2019 and 31 March 2020	5,553

Refer to note 23 for details of subsidiaries undertaking.

13 Trade and other receivables

	2020 $ 000	2019 $ 000
Trade receivables	2,851	1,936
Amounts owed by group undertakings	53,057	52,930
Accrued income	1,469	1,494
Prepayments	19	119
Other receivables	7,536	28
Group relief receivable	91	-
Taxation recoverable	925	969
Overseas corporation tax	651	-
	66,599	57,476

Trade receivables are stated after provisions for impairment of $645,000 (2019: $nil).

Amounts owed by group undertakings include loans receivable from parent undertakings amounting to $52,397,000 (2019: $52,930,000). These loans are repayable on demand and accrue interest at 3 month GBP LIBOR, compounded on a three monthly basis.

14 Creditors: amounts falling due within one year

	2020 $ 000	2019 $ 000
Trade creditors	48	44
Accruals and deferred income	10,937	2,282
Group relief payable	-	227
Social security and other taxes	6	83
Amounts owed to group undertakings	11,429	11,638
Taxation payable	-	780
	22,420	15,054

Amounts owed to group undertakings are unsecured, interest free, have no fixed date or repayment and are repayable on demand.

15 Creditors: amounts falling due after more than one year (continued)

	2020 $ 000	2019 $ 000
Deferred income	5,254	6,284
	5,254	6,284

16 Share capital

Allotted, called up and fully paid shares:

	2020		2019	
	No. 000	$ 000	No. 000	$ 000
Ordinary Shares of $1 each	11	11	11	11

17 Provisions for liabilities

	Asset retirement obligation $ 000	Other provisions $ 000	Total $ 000
At 1 April 2019	1,155	71	1,226
Amount charged to the income statement	-	(1)	(1)
Utilised in the year	-	(65)	(65)
Discount unwind	51	-	51
Credited to property, plant and equipment	(6)	-	(6)
At 31 March 2020	1,200	5	1,205

The cable retirement provision reflects the present value of the estimated cost of retiring and decommissioning the cable system. This provision is expected to be used at the end of the life of the cable system.

Provisions for future costs relate to commitments by the Company to upgrade cable station infrastructure agreed with the customer in connection with the disposal of network assets during the preceding financial year. The upgrades are expected to be completed in the proceeding financial year.

18 Commitments

At the end of the reporting period the Company had no commitments under non-cancellable operating leases (2019: $Nil) and no capital commitments (2019: $Nil). Following the Company becoming a member of a consortium to construct two new subsea cable systems around the east and west coasts of Africa, the Company entered into supply contracts amounting to $114,600,000 (2019: $Nil).

19 Contingent liabilities

In a prior period the Company had received a claim from one of its customers for compensation amounting to $3,542,000. The claim arose from damage to the customer's equipment held at the UK landing station as a result of a fire. No provision was made in respect of this claim as the Directors considered the likelihood of payment being made in settlement as remote as the customer would be required to demonstrate negligence on the part of the Company. The claim was settled by a payment of $2,000,000 by the Company's insurer post year-end in April 2020. This payment was made as a full and final settlement of the customer's claim which eliminates the risk of any future claims by the customer.

20 Related party transactions

The Company has taken advantage of the Related Party Disclosures exemption granted under paragraph 8 'FRS 101' reduced disclosure framework, not to disclose transactions with Vodafone Group Plc group companies.

21 Controlling parties

The Company's immediate parent company is Vodafone Global Network Limited, a company registered in the Republic of Ireland.

The Directors regard Vodafone Group Plc, a company registered in England and Wales, as the ultimate parent company and controlling party.

The smallest and largest group in which the results of the Company are consolidated is that of Vodafone Group Plc. The consolidated financial statements of Vodafone Group Plc may be obtained from the Company Secretary, Vodafone Group Plc, Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN or from Vodafone Group's website https://investors.vodafone.com.

22 Events after the reporting period

The Company will continue to monitor the implications for Vodafone's operations in light of the new trading relationship between the UK and the EU, which has now been negotiated. We would not envisage this new trade deal to have a detrimental impact on the Company.

23 Related undertakings

Details of the direct and indirect (*) investments in subsidiaries as at 31 March 2020 are given below:

Subsidiary undertaking	Country of incorporation	Address	Class	Ownership
Cable & Wireless Americas Systems Inc.	United States of America	560 Lexington Avenue, 9th Floor, New York, NY 10022	Ordinary	100.00%