Vodafone Sales & Services Limited

Company No: 06844137

Annual Report and Financial Statements

for the year ended 31 March 2023

Registered office	Vodafone House The Connection Newbury Berkshire RG14 2FN United Kingdom

Vodafone Sales & Services Limited

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Company Information

Directors	Phillip Paul Kesha Patel
	Anne Stilling
	Rebecca Symondson
	Moira Ann Robertson
Company secretary	Vodafone Corporate Secretaries Limited
Registration number	06844137
Registered office	Vodafone House The Connection Newbury Berkshire United Kingdom RG14 2FN
Independent Auditors	Ernst & Young LLP Statutory Auditor R+ Building 2 Blagrave Street Reading United Kingdom RG1 1AZ

Vodafone Sales & Services Limited

Company No: 06844137

Strategic Report for the year ended 31 March 2023

The Directors present their strategic report for the year ended 31 March 2023.

Principal activities

Vodafone Sales & Services Limited (the 'Company') is a wholly owned subsidiary of Vodafone Group Plc (the 'Group').

The Company's financial performance is mainly influenced by the services it provides to other Vodafone companies, associates and partners of the Group.

The activities of the Company were focused on two main areas, namely Partner Markets and the Vodafone brand. In addition, the Company offers mobile applications including widget and embedding services.

The Company operates within the global market to build the Vodafone brand, bring new products and services to market, unlock efficiency and drive value for its customers.

Review of the business

Vodafone Partner Markets works to form strategic alliances with operators all over the world, partnering to offer a range of global products and services that extend Vodafone's reach into local markets. Vodafone Partner Market agreements vary from roaming and service resale to full partner branding. Established in 2002, Vodafone Partner Markets as at 31 March 2023 had partnership agreements with local operators in 46 countries. Partner Market revenues decreased by 10% year on year in the year ended 31 March 2023. The revenue decrease is mainly related to the Russian-Ukrainian conflict, following Russia becoming a sanctioned country the Directors terminated the contract with our Russian partner.

The Company has the right to utilise the Vodafone brand rights around the world, and receives a return on these rights from the Group operating companies based upon revenues earned by these Vodafone companies.
The Vodafone brand strategy is designed to underline Vodafone's belief that new technologies and digital services will play a positive role in transforming society and enhancing individual quality of life over the years ahead.
The Company is responsible for the licensing of the brand to operating companies, affiliates and partner networks of the Group. Brand revenue is earned through a royalty levied on the revenues of those businesses to which it has licensed the use of the Vodafone brand. Brand revenue remained broadly in line with last year with just a 1% decrease to €592 million for the year ended 31 March 2023 (2022: €598 million). The decrease was largely driven by a credit note being issued to a Ukrainian partner to write off its receivable balance, reflecting the payment restrictions generated by the Russian-Ukraine conflict.

Mobile applications within the consumer services business generated a revenue of €58 million and a profit of €55 million through third party revenue share agreements. To recognise the role operating companies perform to deliver the revenue generating services, the profit of €55 million is distributed out of the company to a central group services entity for onward distribution to the participating operating companies through the group's intercompany recharge agreements. The increase in revenue during the year from €53 million to €58 million reflects the general trend of the revenue based agreements.

Principal risks and uncertainties

The Company's financial performance is mainly influenced by the services it provides to other Group companies, associates and partners of the Group.

The Company's principal business risks in relation to partner market activities include the ability of the Company to enter into new agreements or renew existing agreements with partners, the pricing thereof, and the ability of the Company to continue to provide services that are attractive to the Company's partners.

The key risk facing the Company in relation to its brand activities is that existing licensees of the Vodafone brand will cancel their brand licensing agreements and adopt an alternative brand (for example as the result of the termination of a partner network agreement between Vodafone Group Plc and an existing licensee, or the disposal of a Group company). This activity is also subject to the business performance of the licensees (as the brand revenues are linked to it) and to revisions in the pricing of such licenses.

Within the Group there are dedicated teams that manage all partner markets relationships and the global brand relationship with all the existing licensees. These teams are involved in the reporting and monitoring of financial and non-financial performance in these areas and for agreeing overall strategy with senior management. After reviewing the Company's budget for the next financial year, and other longer term plans and , the Directors are satisfied the Company will continue its current principal activities with a comparable level of financial result.

The Company has also considered a number of specific risks that could impact the business over the going concern period. The adverse changes in macroeconomic conditions risk, in general, increased over the past year. The Group constantly monitors the economic repercussions of the war in Ukraine and the effects of sovereign debt build-up during the COVID-19 pandemic. These factors contribute to an uncertain outlook with the global impact on energy prices, inflation and causing supply chain disruption. The Directors note that the Group has appointed specialist teams, executing the organisational and digital transformation activities required to mitigate these risks with robust investment and governance structures in place.

At the year end the Company assessed its debtor's position giving additional scrutiny of any balances within countries affected by the Russian invasion of the Ukraine. Russia and Belarus have been added to the Group sanctions list. As a result, receivable balances due from partner markets in Russia and Ukraine of €2,500,000 and €2,726,000 respectively have been provided against. Any transactions or balances are monitored on a half yearly basis through the Group's certification process.

The Directors have considered all the above risks as part of the Company's risk and going concern assessment. In reaching its conclusion, the Directors also considered the findings of the work performed by the Group to support the statement on the long-term viability of the Group.

The Directors at the date of signing the accounts have concluded that the Company, as part of the Vodafone Group, have and are continuing to monitor and mitigate all risks both current and emerging, including the proposed merger of Vodafone UK with Three UK and have not identified any material consequential impact on the Company.

The Directors have given due consideration to the impact that any potential merger between Vodafone UK and Three UK will have on the business and have concluded that whether or not the merger is approved through clearance of all regulatory conditions, there will be no impact on the business. The business is set to continue to trade in the above business areas with no major changes in the outlook for the Company's specific principal business risks within the going concern period to 30 September 2024.

Financial position and liquidity

The statement of financial position is set out on page 16 of the financial statements and shows the Company's financial position at the end of the year.

The Company had creditors of €546 million at 31 March 2023 (2022: €372 million), €221 million at 31 March 2023 (2022: €59 million) of which is due to Vodafone Group companies, and trade and other receivables of €2,601 million (2022: €2,215 million). Trade and other receivables primarily consisted of €2,072 million of deposits with the Company's parent undertakings (2022: €1,899 million). The net asset position of the Company increased from €1,874 million at 31 March 2022 to €2,080 million at 31 March 2023 reflecting the impact of the profit in the year.

For further details of amounts payable to and due from the parent company and fellow subsidiary undertakings see notes 12 and 13 of the financial statements.

The Directors have given due consideration to the impact that any potential merger between Vodafone UK and Three UK will have on the finances or liquidity of the Company and have concluded that whether or not the merger is approved following clearance of all regulatory conditions there will be no impact on the Company's finances or liquidity during the going concern period to 30 September 2024.

Other key performance indicators ('KPIs')

Vodafone Group Plc includes within its Annual Report a detailed review of the results of operations and financial performance. As the Company's activities are directly and largely related to the provision of central management, technical and administrative and other key services to the Group, 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. Further information can be found in the Vodafone Group Plc Annual Report (available to view online at https://investors.vodafone.com).

Future development

The Directors are of the opinion that the Company's activities will continue on a similar basis for the foreseeable future with no expected impact identified from the proposed merger of Vodafone UK and Three UK.

Corporate Governance

Section 172 Companies Act statement

The Board believes that, individually and collectively, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172 of the Companies Act 2006.

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.

As the Company forms part of the Group, the framework adopted by Vodafone Group Plc, the ultimate parent, has been disseminated and applied by the Company, as subsidiary. Vodafone Group Plc's key stakeholders have been identified and their interests taken into consideration, in accordance with the Directors' section 172 duties of the Companies Act 2006 and the UK Corporate Governance Code 2018. Further information is detailed on pages 10 to 12 within the Annual Report and Accounts for the year ended 31 March 2023.

Stakeholder engagement

During the year ended 31 March 2023, Valerie Gooding was the Workforce Engagement Lead for Vodafone Group Plc, the ultimate beneficial owner of the Company, and supported the Vodafone Group's comprehensive employee engagement programme. Following Valerie Gooding's retirement from the Vodafone Group Plc Board on 25 July 2023, Delphine Ernotte Cunci and Christine Ramon were appointed the Workforce Engagement Leads. The Directors do not typically engage directly with employees, however, they are regularly informed about employee matters. The Directors believe this approach enables consistent and meaningful employee engagement across the Group, whilst ensuring the Directors remain informed about all employee matters relevant to the Company.

The ways in which the Group has engaged with employees throughout the year is described in detail in the Vodafone Group Plc Annual Report 2023 (available to view online at https://investors.vodafone.com).

The Board recognises the need to build a holistic view of its business to promote a strategy which takes account of the broader operating environment, and that decisions 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 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.

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.

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

Further details of the interaction with stakeholders is provided in the Vodafone Group Plc Annual Report 2023 on pages 10 to 12 (available to view online at https://investors.vodafone.com).

People

Our people are critical to the successful delivery of our Group strategy and thus it is essential that they are engaged and embrace our purpose and values.

Our culture- the 'Spirit of Vodafone'- outlines the beliefs we stand for and the behaviours that enable our strategy and purpose. At Group level, we have continued embedding Spirit throughout the whole organisation focusing on transforming culture through addressing habits, leadership, systems, and processes. There are several established engagement and feedback mechanisms to measure Spirit, including the bi-annual Spirit Beat and Global Pulse surveys. As several Directors of the Company are people managers within the Group, they are able to gain further understanding of their teams and employees through the surveys.

During the year, other employee related items such as the Modern Slavery Statement was considered and adopted by the Board. The content included in the Company's Modern Slavery Statement was updated for 2023 in accordance with statutory guidance.

The Company's Gender Pay reporting was also considered by the Board, along with the data for women in management and leadership roles internally versus external benchmarking.

Diversity and inclusion

At a Group level we continue to focus on removing barriers to workplace equality. Throughout the year we have accelerated momentum on gender equality, sustained focus on embedding inclusion, set solid foundations on race and ethnicity, and began ensuring the physical and digital workplace is fully accessible. We continue to expand our focus on practising inclusion supports our ambition to create a global workforce that reflects the customers, communities, and colleagues we serve, and the wider societies in which we operate.

Suppliers

The Company is part of the wider 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 the Group conducts supplier audits and assessments. The key topics raised through its engagement were improving health and safety standards, supplier and product innovation 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.

In accordance with The Reporting on Payment Practices and Performance Regulations 2017, the Board considers the Company's Payment Practices and Performance data regularly. The Board continues to keep this data under review and the Company's data is published on a bi-annual basis in accordance with UK law.

Customers

As one of the largest mobile and fixed network operators in Europe and a leading global IoT connectivity provider, the Group continues to focus on deepening our engagement with customers to develop long-term valuable and sustainable relationships.

Local communities

Throughout the Group we believe that the long-term success of our business is closely tied to the success of the communities in which we operate. We interact with local communities and non-governmental organisations, seeking to be a force for good wherever we operate.

Approved by the Board on 29 September 2023 and signed on its behalf by:

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Moira Robertson

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Moira Ann Robertson
Director

Directors' Report for the year ended 31 March 2023

The Directors present their report and the financial statements of Vodafone Sales & Services Limited (the 'Company') for the year ended 31 March 2023.

Incorporation

The Company was incorporated as a private company limited by shares on 11 March 2009 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 14 of the financial statements. For the year ended 31 March 2023, there was a profit on ordinary activities after taxation of €206 million (2022: profit of €143 million).

The profit for the year increased as a result of higher gross profit in the Brand area, due to the reversal of the expected loss provision created in 2022 and increased finance income due to the increase in the 1 month EURIBOR rate creating a positive return on the cash deposit held with Vodafone Group. Please see the Strategic Report for more details.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2023 (2022: €nil).

Directors of the Company

The Directors, who held office during the year, including those Directors holding office to the signing date of this report, were as follows:

Phillip Paul Kesha Patel

Martin David Spink (resigned 18 July 2022)

Anne Stilling

Rebecca Symondson

Michelle Hargreaves (resigned 31 March 2023)

Moira Ann Robertson (appointed 18 July 2022)

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 (2022: €nil). The Company follows Vodafone Group policy in that no political donations be made or political expenditure incurred.

Principal risks and uncertainties

The financial risks the Directors consider relevant to the Company include currency risk, credit risk and liquidity risk. The Company follows the board approved policies of its parent Vodafone Group Plc, to manage these principal financial risks. This includes the treasury function of the Group, which provides a centralised treasury service to the Company, and follows a framework of policies and guidelines authorised and reviewed annually by the Vodafone Group Plc Board.

The Group's internal auditors review the internal control environment regularly. 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 risks and 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 2023.

Further details of principal risks and uncertainties are set out in the Strategic Report on page 3.

Financial position and liquidity

The Directors consider that the Company has sufficient funding to meet its financial needs as they fall due. Accordingly, the Directors have prepared the financial statements on a going concern basis.

The Directors have given due consideration to the impact that any potential merger between Vodafone UK and Three UK will have on the business and have concluded that whether or not the merger is approved following clearance of all regulatory conditions, there will be no impact on the business. The business is set to continue to trade in the above business areas with no major changes in the outlook for the Company's specific principal business risks within the going concern period to 30 September 2024.

On the basis of their assessment of the Company's financial position, the factors likely to affect its future development and performance, and the enquiries made of the directors of Vodafone Group Plc, the Company's Directors have no reason to believe that a material uncertainty exists that may cast doubt about the ability of the Company to continue as a going concern. 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.

Details of financial position and liquidity are set out in the Strategic Report on page 4.

Employees

The Company is an inclusive employer and diversity is important. It gives full and fair consideration to applications for employment by disabled persons and the continued employment of anyone incurring a disability while employed by the Company. Training, career development and promotion opportunities are equally applied for all employees, regardless of disability.

Every year all our employees participate in our Global People Survey which allows us to measure engagement trends and identify ways to improve how we do things. Consultation with employees takes place at all levels, to ensure that their views are taken into account when decisions are made that are likely to affect their interests and to ensure employees are aware of the financial and economic performance of their business area and the Group as a whole. Communication with all employees is regular including weekly bulletins, regular briefing groups and the sharing of quarterly financial performance.

Employee involvement in the financial performance of the Company is encouraged through participation in various share based payments as described in note 17 to the financial statements, and via an annual bonus scheme which takes into account both the individual's and the Vodafone Group Plc's performance.

Corporate Governance

Section 172 statement

Details of section 172 statement are set out in the Strategic Report on page 4.

Stakeholder engagement

Details of stakeholder engagement are set out in the Strategic Report on page 5.

UK streamlined energy and carbon reporting (SECR)

The Company elected to apply the full exemption available of disclosing information in relation to Streamlined Energy and Carbon Reporting (SECR). A full disclosure of UK SECR is available in Vodafone Group Plc annual report.

Research and development

The Company does not perform any research or development activities.

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 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 2023 was €2,254 million (2022:€2,064 million).

The Directors have reviewed the financial performance and position of the Company and have assessed monthly cash flow forecasts through to 30 September 2024. The Directors note as of 31 March 2023, the Company has €2,072 million cash is held in a call deposit account as part of the Vodafone Group Plc cash pooling arrangement (as of 31 August 2023, the cash held in call deposit account is €2,695 million). Per the terms of the arrangement, the Directors have control of this deposit and draw down upon this balance when needed. Having considered the overall financial position of the Vodafone Group, as set out in its Financial Statements for the 12 months ended 31 March 2023, as well as making enquiries of Group and reviewing the liquidity of the Group at the point of signing, 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.

The Directors are satisfied that due to the low cost base and significant head room in the cash flow forecast, the business will continue to have sufficient cash available in the event of any reasonably possible downturn in trading.

On this basis of their assessment, the Directors of Vodafone Sales and Services Limited expect that the Company will be able to continue in operational existence for the period until 30 September 2024, and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the 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').

Directors' Report for the year ended 31 March 2023 (continued)

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. 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 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.

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 2024.

Approved by the Board on 29 September 2023 and signed on its behalf by:

DocuSigned by:
Moira Robertson
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Moira Ann Robertson
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VODAFONE SALES & SERVICES LIMITED

Opinion

We have audited the financial statements of Vodafone Sales & Services Limited ('the Company') for the year ended 31 March 2023 which comprise of 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 20, 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 2023 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.

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 2024.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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 framework (FRS 101, the UK Companies Act 2006), the relevant tax compliance regulations in the United Kingdom and the General Data Protection Regulation (GDPR).
- We understood how Vodafone Sales & Services Limited is complying with those frameworks by making inquiries of management and those responsible for legal and compliance procedures to understand how the Company maintains and communicates its policies and procedures in these areas, and to understand the culture and whether there is a strong emphasis placed on fraud prevention,

which may reduce opportunities for fraud to take place as well as fraud deterrence. We corroborated our enquiries through our inspection of Board minutes, review of any correspondence with relevant regulatory bodies, for which there were none, and made consideration of the results of our audit procedures performed to either corroborate or provide contrary evidence which was then followed up.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering there to be a potential for management override to achieve revenue targets via topside manual journal entries posted to revenue, further identifying both intercompany and third-party revenue to be a fraud risk area. We performed walkthroughs of significant classes of revenue transactions to understand significant processes and identify and assess the design effectiveness of key controls. For intercompany revenue, we used statistical techniques to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, which we investigated further to gain an understanding of the transaction and agree to source documentation ensuring appropriate authorisation of the transactions. We considered processes 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 processes and controls. For third-party revenue, we used data analytics tools to perform a correlation analysis to identify those revenue journals for which the corresponding entry was not to cash. These identified entries included accrued revenue and we obtained corroborating evidence for such entries. We verified the recognition and measurement of third-party revenue by tracing a sample of transactions, selected at random throughout the year, to cash banked to verify the accuracy of reported revenue. To address the risk on inappropriate cut-off, we selected a sample of third-party revenue transactions around the period end date and for our sample selected, we tested to ensure there is appropriate evidence to support that control has passed to the customer and this reflected in the period the revenue was recognised.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes, testing of manual journals identified by specific criteria, enquiries with management, 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

Carl Stone (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
Date: 29 September 2023

Vodafone Sales & Services Limited

Company No: 06844137

Income Statement for the Year Ended 31 March 2023

	Note	2023 € 000	2022 € 000
Revenue		757,423	771,523
Cost of sales		(512,957)	(583,496)
Gross profit		244,466	188,027
Other (expense)/Income		(1,502)	3,019
Operating profit	6	242,964	191,046
Finance income	7	7,864	-
Finance expense	7	-	(17,188)
Finance income/(expense) - net		7,864	(17,188)
Profit before taxation		250,828	173,858
Income tax credit/(expense)	8	(45,058)	(31,300)
Profit for the financial year		205,770	142,558

The above results were derived from continuing operations.

The notes on pages 18 to 37 form an integral part of these financial statements.

Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 € 000	2022 € 000
Profit for the financial year:		205,770	142,558
Other comprehensive income/(expense):			
Items that may be reclassified to the income statement in subsequent years:			
Current tax expense relating to share-based payment		-	(353)
Deferred tax credit relating to share-based payment	9	2	50
Deferred tax credit/(expense) relating to cash flow hedges	9	10	(34)
Profit on cash flow hedges		190	317
Total items that may be reclassified to the income statement in subsequent years		202	(20)
Other comprehensive income/(expense)		202	(20)
Total comprehensive income for the year		205,972	142,538

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.

Vodafone Sales & Services Limited

Company No: 06844137

Statement of Financial Position as at 31 March 2023

	Note	2023 € 000	2022 € 000
Non current assets			
Intangible assets	10	2,005	1,517
Investments in subsidiaries	11	330	330
Deferred tax asset	9	23,762	29,597
		26,097	31,444
Current assets			
Trade and other receivables	12	2,600,606	2,214,753
Creditors: Amounts falling due within one year	13	(346,644)	(150,847)
Net current assets		2,253,962	2,063,906
Total assets less current liabilities		2,280,059	2,095,350
Creditors: Amounts falling due after more than one year	14	(199,687)	(221,274)
Net assets		2,080,372	1,874,076
Equity			
Capital and reserves			
Called up share capital	15	-	-
Share premium account		290,000	290,000
Share based payment reserve		(832)	(1,158)
Cash flow hedging reserve		90	(110)
Retained earnings		1,791,114	1,585,344
Shareholders' funds		2,080,372	1,874,076

Approved by the Board on 29 September 2023 and signed on its behalf by:

DocuSigned by:

Moira Robertson

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Moira Ann Robertson
Director

The notes on pages 18 to 37 form an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2023

	Called up share capital € 000	Share premium account € 000	Share-based payment reserve € 000	Cash flow hedging reserve € 000	Retained earnings € 000	Total € 000
At 1 April 2021	-	250,000	(688)	(393)	1,442,786	1,691,705
Profit for the year	-	-	-	-	142,558	142,558
Profit on cash flow hedges	-	-	-	317	-	317
Deferred tax expense relating to cash flow hedges	-	-	-	(34)	-	(34)
Current tax expense relating to share-based payment	-	-	(353)	-	-	(353)
Deferred tax credit relating to share-based payment	-	-	50	-	-	50
Total comprehensive income for the year	-	-	(303)	283	142,558	142,538
Issue of shares	-	40,000	-	-	-	40,000
Movement in share-based payment reserve	-	-	(167)	-	-	(167)
At 31 March 2022	-	290,000	(1,158)	(110)	1,585,344	1,874,076
At 1 April 2022	-	290,000	(1,158)	(110)	1,585,344	1,874,076
Profit for the year	-	-	-	-	205,770	205,770
Profit on cash flow hedges	-	-	-	190	-	190
Deferred tax credit relating to cash flow hedges	-	-	-	10	-	10
Deferred tax credit relating to share-based payment	-	-	2	-	-	2
Total comprehensive income for the year	-	-	2	200	205,770	205,972
Movement in share-based payment reserve	-	-	324	-	-	324
At 31 March 2023	-	290,000	(832)	90	1,791,114	2,080,372

The notes on pages 18 to 37 form an integral part of these financial statements.

1 General information

Vodafone Sales & Services Limited (the 'Company') provides services to other Vodafone companies, associates and partners of the Group.

The activities of the Company are focused on 2 main areas, namely Partner Markets and the Vodafone brand. Further details of the activities of the Company are disclosed on page 2 of the Strategic Report.

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: 06844137

These financial statements were authorised for issue by the Board on 29 September 2023.

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 26.

The Company's functional and presentation currency is Euro.

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;

(iii) paragraph 118(e) of IAS 38 *Intangible Assets*.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

• 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 45(b) and 46 to 52 of IFRS 2 *Share-based payments* provided that for a qualifying entity that is:
(i) a subsidiary, the share-based payment arrangement concerns equity instruments of another group entity;
(ii) an ultimate parent, the share-based payment arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group;
and, in both cases, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 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 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 2023 was €2,254 million (2022:€2,064 million).

The Directors have reviewed the financial performance and position of the Company and have assessed monthly cash flow forecasts through to 30 September 2024. The Directors note as of 31 March 2023, the Company has €2,072 million cash is held in a call deposit account as part of the Vodafone Group Plc cash pooling arrangement (as of 31 August 2023, the cash held in call deposit account is €2,695 million). Per the terms of the arrangement, the Directors have control of this deposit and draw down upon this balance when needed. Having considered the overall financial position of the Vodafone Group, as set out in its Financial Statements for the 12 months ended 31 March 2023, as well as making enquiries of Group and reviewing the liquidity of the Group at the point of signing, 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.

The Directors are satisfied that due to the low cost base and significant head room in the cash flow forecast, the business will continue to have sufficient cash available in the event of any reasonably possible downturn in trading.

On this basis of their assessment, the Directors of Vodafone Sales and Services Limited expect that the Company will be able to continue in operational existence for the period until 30 September 2024, 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

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2023, have had a material impact on the Company.

2.2 Exemption from preparing group accounts

The financial statements contain information about Vodafone Sales & Services 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 Euro. The Company's functional and presentation currency is Euro and is denoted by the symbol €.

2 Significant accounting policies (continued)

2.3 Foreign currency transactions and balances (continued)

Transactions and balances

Foreign currency transactions are initially recorded into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 within 'Other (expense)/income'.

The Company has used year-end exchange rate of 1.14 (GBP to EUR) as at 31 March 2023 (2022: 1.18).

2.4 Intangible assets

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software products are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of a software product include employees' costs and an appropriate portion of relevant overheads.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated value, over their expected useful economic life as follows:

- Computer software costs, recognised as assets, are amortised using the straight-line basis over their estimated useful lives, which varies between 2 to 3 years.

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Where an impairment indicator is identified, the carrying value of the income generating unit is compared with its recoverable amount. Where the recoverable amount is less than the carrying value an impairment is recognised.

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.

2 Significant accounting policies (continued)

2.5 Investments in subsidiaries (continued)

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.

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 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.

2.7 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.

2.8 Financial assets

Receivables

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, trade receivables, contract assets and other receivables, excluding prepayments, in the statement of financial position.

2 Significant accounting policies (continued)

2.8 Financial assets (continued)

Trade receivables are amounts due from third party customers, and amounts due from Vodafone group companies are all 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.

Recognition and measurement

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.

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

Where 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.

2.9 Financial liabilities

Creditors

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, trade payables, contract liabilities and other payables, in the statement of financial position.

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.

2 Significant accounting policies (continued)

2.9 Financial liabilities (continued)

Recognition and measurement

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

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.

2.10 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.

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.

2.11 Revenue recognition

Revenue represents the value of services supplied by the Company principally charged 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.

Contracts with customers are accounted for when the contract is approved, each party can identify its rights regarding the services to be provided, payment terms have been agreed and the contract has commercial substance.

2 Significant accounting policies (continued)

2.11 Revenue recognition (continued)

The Company recognises revenue when (or as) it satisfies a performance obligation by transferring services to the customer. The amount of revenue recognised is the amount allocated to the satisfied performance obligation and when it is probable that the Company will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company considers the customer's ability and intention to pay that amount of consideration when it is due.

The Company only recognises a significant financing component within its long term contracts with customers. In these cases the Company follows the Group's beta IFRS 15 Revenue policy agreed approach and applies the relevant risk free rate plus a credit risk premium and the interest charge is then unwound over the life of the contract as an interest expense.

The Company recognises revenue over time by selecting the most appropriate input method as the basis for measuring the Company's progress towards complete satisfaction of that performance obligation. A performance obligation is satisfied as and when the services are delivered and the customer can benefit from services either on its own or together with other resources that are readily available to the customer. The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs those services.

The Company applies IFRS 15 to the portfolio of contracts with similar performance obligations and characteristics. The Company's revenue is recognised from contracts with customers, including the disaggregation of revenue into appropriate categories. When selecting the type of category (or categories) to use to disaggregate revenue, the Company has considered how any information about the entity's revenue is presented in disclosures presented outside the financial statements and also considered how the information is reviewed by the chief operating decision maker for evaluating the financial performance of operating segments and when making resource allocation decisions.

Any contract balances, including the opening and closing balances of receivables, contract assets and contract liabilities, including any loss provision and the amount of revenue recognised from the opening contract liability are disclosed in the notes to the accounts.

2.12 Post-employment benefits

The Company's employees participate in the Vodafone UK Defined Contribution Pension Plan.

<u>Defined contribution plan</u>

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and periods.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Defined contribution pension costs are charged to the income statement and represent contributions payable in respect of the year.

2 Significant accounting policies (continued)

2.13 Share-based payments

Vodafone Group Plc issues equity-settled awards to some 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 Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase in share-based payment reserve is also recognised. Where the Company makes cash payments to Vodafone Group Plc in respect of any rights or share options granted, such cash contributions are accounted for as a reduction in share-based payment reserve.

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 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.

4 Employees and Directors' remuneration

Employees

The average number of persons employed by the Company (including Directors) during the year was as follows:

	2023 Number	2022 Number
Sales and admin	55	80

The cost incurred in respect of these employees was:

	2023 € 000	2022 € 000
Wages and salaries	(7,951)	(11,139)
Social security costs	(1,074)	(1,408)
Pension and other post-employment benefit costs (see note 16)	(803)	(1,127)
Share-based payment expense (see note 17)	(566)	(362)
Staff costs	(10,394)	(14,036)

Directors

Some Directors were remunerated by other Group companies.

The Directors' remuneration for the year was as follows:

	2023 € 000	2022 € 000
Aggregate remuneration	540	306

The remuneration of the highest paid Director paid by the Company was €307,093 (2022: €305,665).

5 Revenue

The Company manages its revenues by reporting segments and geographical areas. Revenue disaggregation is applied where it is considered that the revenues have substantially different characteristics or where the chief operating decision maker evaluates performance of different operating segments.

	2023 € 000	2022 € 000
United Kingdom	2,275	1,633
Europe	517,543	528,731
Americas	9,343	8,445
Asia Pacific	86,625	98,788
Middle East	70,960	66,607
Africa	70,677	67,319
	757,423	771,523

	2023 € 000	2022 € 000
Brand	592,325	598,230
Partner markets	107,461	119,890
Mobile applications	57,637	53,403
	757,423	771,523

6 Operating profit

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

	2023 € 000	2022 € 000
Amortisation charge on intangible assets (see note 10)	(325)	(151)
Staff costs (see note 4)	(10,394)	(14,036)
Foreign exchange (losses)/gains from operating activities	(1,502)	3,019
Audit fee payable to the company's auditor	(26)	(28)

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

7 Interest income and expense

	2023 € 000	2022 € 000
Finance income		
Interest receivable from group undertakings	7,864	-
Total finance income	7,864	-
Finance expense		
Interest payable to group undertakings	-	(17,188)
Total finance expense	-	(17,188)
Net finance income / costs	7,864	(17,188)

All amounts stated above are relating to interest on deposit balance with Vodafone Group Plc.

8 Income tax

	2023 € 000	2022 € 000
United Kingdom corporation tax (expense)/credit:		
Current year tax expense	(39,713)	(40,187)
Tax adjustments in respect of prior years	8,178	6,264
Total UK current tax expense	(31,535)	(33,923)
Overseas current tax (expense)/credit:		
Current year tax expense	(20,985)	(24,194)
Tax adjustments in respect of prior years	-	42
Double taxation relief	13,284	14,618
Total overseas current tax expense	(7,701)	(9,534)
Total current tax expense	(39,236)	(43,457)
Deferred taxation		
Arising from changes in tax rates and laws	(1,081)	6,794
Deferred taxation credit - current year	2,039	5,851
Deferred taxation expense - prior year	(6,780)	(488)
Total deferred tax (expense)/credit	(5,822)	12,157
Total income tax expense in the income statement	(45,058)	(31,300)

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% (2022: 19%) for the reasons set out in the reconciliation below:

	2023 € 000	2022 € 000
Profit before tax	250,828	173,858
Corporation tax expense at standard rate of 19% (2022: 19%)	(47,657)	(33,033)
Factors affecting the tax (expense)/credit for the year:		
Double taxation relief	1,190	443
Effect of changes in tax rates on deferred tax	(1,081)	6,794
Other non taxable income	6,751	60
Overseas tax suffered	(5,658)	(11,378)
Tax adjustments in respect of prior year	1,397	5,814
Total tax expense	(45,058)	(31,300)

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.

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:

	2023 € 000	2022 € 000
Accelerated capital allowances	(67)	(53)
Share based payments	156	154
Other temporary differences	1,502	7,818
Trademark prepayment	22,171	21,678
Deferred tax assets	23,762	29,597

In the financial statements for the year ended 31 March 2022, deferred tax assets relating to trademark prepayment and other temporary differences were combined and presented as a single amount.

	2023 € 000	2022 € 000
Deferred tax assets due within 12 months	2,558	8,646
Deferred tax liabilities due within 12 months	(111)	(85)
Deferred tax assets due within 12 months	2,447	8,561
Deferred tax assets due after 12 months	21,579	21,342
Deferred tax liabilities due after 12 months	(264)	(306)
Deferred tax assets due after 12 months	21,315	21,036
Deferred tax assets	23,762	29,597

The reconciliation of the deferred taxation as at 31 March 2023 is as follow:

	Accelerated capital allowance € 000	Share-based payments € 000	Trademark Prepayment € 000	Other temporary differences € 000	Total € 000
At 1 April 2022	(53)	154	21,678	7,818	29,597
Amount (charged)/credit to the income statement	(14)	4	493	(6,306)	(5,823)
Amount charged directly to other comprehensive income	-	(2)	-	(10)	(12)
At 31 March 2023	(67)	156	22,171	1,502	23,762

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

The rate of 25% has been used to calculate the above deferred tax asset/(liability).

10 Intangible assets

	Computer software cost € 000	Intangible assets - AUC € 000	Total € 000
Cost or valuation			
At 1 April 2022	517	1,154	1,671
Additions	18	795	813
Disposals	(2)	-	(2)
Transfers	540	(540)	-
At 31 March 2023	1,073	1,409	2,482
Amortisation			
At 1 April 2022	154	-	154
Amortisation charge	325	-	325
Amortisation eliminated on disposals	(2)	-	(2)
At 31 March 2023	477	-	477
Carrying amount			
At 31 March 2022	363	1,154	1,517
At 31 March 2023	596	1,409	2,005

11 Investments

Shares in group undertakings	**2023 € 000**
Cost:	
As at 31 March 2022, 1 April 2022 and 31 March 2023	330
Provision for impairment:	
At 31 March 2022, 1 April 2022 and 31 March 2023	-
Net book value:	
As at 31 March 2022, 1 April 2022 and 31 March 2023	330

Refer to note 20 for details of subsidiaries undertaking.

12 Trade and other receivables

	2023 € 000	2022 € 000
Trade receivables	40,767	30,055
Amounts owed by group undertakings	447,721	261,132
Other receivables	3,575	4,579
Amounts owed by parent undertakings	2,071,888	1,898,960
Amounts owed by associate undertakings	6,506	15,651
Contract assets	30,149	4,376
	2,600,606	2,214,753

Trade receivables are stated after recognising a loss allowance in accordance with IFRS 9 of €6,373,000 (2022: €6,833,000).

Contract assets are stated after recognising a loss allowance in accordance with IFRS 9 of €434,000 (2022: €1,334,000). Changes in the contract assets include a decrease in accruals of €11,823,000 for consumer services which has been credited to cost of sales and an increase in Accrued Income for Partner Markets €13,950,000 recognised through revenue.

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

Amounts owed by Group and associated undertakings are stated after providing for estimated credit losses of €Nil (2022: €35,684,000)

Amounts owed by parent undertakings relate to deposits placed that are repayable on demand and attract interest at the 1 month EURIBOR rate.

13 Creditors: amounts falling due within one year

	2023 € 000	2022 € 000
Trade creditors	22,099	5,413
Accruals	16,065	23,570
Group relief payable	26,793	24,879
Other creditors	26	82
Amounts owed to group undertakings	220,988	58,966
Amounts owed to associate undertakings	27	464
Contract liabilities	60,646	37,473
	346,644	150,847

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

Revenue recognised in the reporting period from the carried forward contract liabilities was €37,473,000 comprising of royalty revenue of brand merger trademark agreement €21,587,000 and Partner Markets services €15,886,000. Changes in the short term contract liability of €23,173,000 represent an increase of fees received in advance for the current reporting period for Partner Markets services.

14 Creditors: amounts falling due after more than one year

	2023 € 000	2022 € 000
Contract liabilities	199,687	221,274
	199,687	221,274

Changes in the long term contract liability include the unwinding of the liability for the brand merger trademark agreement of €21,587,000.

15 Share capital

Allotted, called up and fully paid shares:

	2023		2022	
	No.	**€**	**No.**	**€**
As at 1 April	110	110	10	10
Issued during the year	-	-	100	100
As at 31 March	110	110	110	110

16 Post-employment benefits

The Group has operated a number of different types of pension schemes for the benefits of its UK employees, which have been provided through defined contribution arrangements. Defined contribution schemes offer employees individual funds that are converted into benefits at the time of retirement.

The amount charged/(credited) to the income statement is as follows:

	2023 € 000	2022 € 000
Defined contribution scheme:		
Vodafone UK Defined Contribution Pension Plan - normal contribution	803	1,127
Total amount charged to the income statement (see note 4)	803	1,127

17 Share-based payments

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

Share options

Vodafone Group Plc Sharesave Plan

Under the Vodafone Group Plc Sharesave Plan UK staff may acquire shares in Vodafone Group Plc through monthly savings of £375 over a three and/or five year period, at the end of which they may also receive a tax-free bonus. The savings and bonus may then be used to purchase shares at the option price, which is set out at the beginning of the invitation period and usually at a discount of 20% to the then prevailing market price of the shares.

17 Share-based payments (continued)

Share plans

Vodafone Group Plc Executive Plans

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

Vodafone Group Plc Share Incentive Plan

Following a review of the UK all-employee plans it was decided that with effect from 1 April 2017 employees would no longer be able to contribute to the Vodafone Group Plc Share Incentive Plan and would therefore no longer receive matching shares. Individuals who hold shares in the plan continue to receive dividend shares.

Summary of share options outstanding

	31 March 2023		31 March 2022	
	Options	**Weighted average remaining contractual life**	**Options**	**Weighted average remaining contractual life**
Option price band	**in 000**	**in months**	**in 000**	**in months**
Vodafone Group Savings Related and Sharesave Scheme (£ 0.77- £1.54)	263	25	473	17.6
Total	**263**		**473**	

18 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.

During the year the Company provided partner market related services of €14,651,000 (2022: €12,421,000) to its indirect associated undertaking, Safaricom, a Group associate in Kenya. At the year-end €1,817,000 (2022: €Nil) was outstanding. The receivable is unsecured and no guarantees have been received.

During the year, the Company provided partner market & brand related services of €3,342,000 and €18,156,000 respectively (2022: €3,632,000 and €18,588,000) to its indirect associated undertaking, TPG Telecom Limited, a Group joint venture in Australia. At the year-end €2,525,000 (2022: €8,404,000) was outstanding and included within debtors. The receivable is unsecured and no guarantees have been received.

During the year, the Company provided brand services of €30,000,000 (2022: €30,000,000) and consumer services of €193,000 (2022: €216,000) to its indirect associated undertaking, Vodafone Ziggo Group Holding B.V., a Group joint venture in Netherlands. At the year-end €2,164,000 (2022: 7,247,000) was outstanding. The receivable is unsecured and no guarantees have been received.

During the year, the Company provided brand related services of €21,588,000 (2022: €21,588,000) to Vodafone Idea (India).

19 Controlling parties

The Company's immediate parent company is Vodafone International Operations Limited, a company registered in England and Wales.

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.

20 Related undertakings

Details of the direct and indirect (*) related undertakings as at 31 March 2023 are given below:

Subsidiary undertaking	Country of incorporation	Address	Class	Ownership
Vodafone Services LLC	Oman	Knowledge Oasis Muscat, Al-Seeb, Muscat, Governorate P.O Box 104, 135 Oman	Ordinary shares	99.9993%