VODAFONE LIMITED

Company No: 01471587

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

VODAFONE LIMITED

Company No: 01471587

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STRATEGIC REPORT

The directors present their strategic report for Vodafone Limited (the 'Company') for the year ended 31 March 2023.

Review of the business and future developments

Total revenue increased by 4.8% to £5.8 billion, due to higher service revenue.

Reported service revenue grew by 5.4%, driven by continued strong growth in Consumer and an acceleration in Business. This was partially offset by the complete migration of the Virgin Media MVNO off our network.

During the year, we added 230,000 mobile contract customers, supported by our 'Vodafone EVO' proposition, which offers customers a combination of flexible contracts, trade-in options, and early upgrades. We also benefited from good iPhone demand and growth in Business. However, contract churn increased by 0.2 percentage points year-on-year to 12.7%. Our digital sub-brand 'VOXI' also continued to grow, with 134,000 customers added in the year. Our digital sales mix improved by 3 percentage points year-on-year to 36% of total sales.

In Fixed our commercial momentum in Consumer remained strong, with good demand for our Vodafone 'Pro Broadband' product. With 173,000 broadband net additions during the year, we now have over 1.2 million broadband customers. Through our partnerships with CityFibre and Openreach we reached over 11 million households with full fibre broadband, more than any other provider in the UK.

Adjusted EBITDAaL decreased by 0.5%, driven by growth in service revenue, but offset by higher energy costs, other inflationary pressures, a lower Virgin MVNO contribution and new annual licence fees. Our Adjusted EBITDAaL margin declined by 1.1 percentage points year-on-year at 19.8%.

Adjusted EBITDAaL is used in conjunction with financial measures such as operating (loss)/profit to assess our operating performance and profitability. Adjusted EBITDAaL is operating (loss)/profit after depreciation on lease-related right of use assets and interest on leases but excluding depreciation, amortisation and gains/losses on disposal of owned assets and excluding impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Company.

An operating loss of £16.5m (2022: £317.7m loss) was made during the year. The year-on-year movement is due to the amortisation of 3G licences, which were fully amortised by the end of last year.

Net financing income of £15.7m (2022: £28.3m expense) was mostly due to rising interest rates driving an increase in interest receivable on amounts owed by Vodafone Group companies.

There was an income tax charge in the year of £2.3m (2022: £482.9m credit), with the year-on-year movement primarily due to a change in the deferred tax rate impacting the prior year results, following an increase in the substantively enacted UK corporation tax rate from 19% to 25% in Finance Act 2021.

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STRATEGIC REPORT (continued)

The following table reconciles Adjusted EBITDAaL to the closest equivalent GAAP measure, being operating loss:

	2023 £m	2022 £m
Revenue		
Service revenue	4,558.2	4,324.0
Other revenue	1,252.4	1,219.1
Adjusted EBITDAaL	**1,153.4**	**1,159.5**
Depreciation and amortisation[1]	(799.6)	(1,043.8)
Adjusted operating profit	**353.8**	**115.7**
Other expenses[2]	(370.3)	(433.4)
Operating loss	**(16.5)**	**(317.7)**
Net financing income/(expense)	15.7	(28.3)
Income tax	(2.3)	482.9
(Loss)/profit for the financial year	**(3.1)**	**136.9**

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

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

Financial position and liquidity

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

The major source of liquidity for the Company comes from the cash generated from trading activities. The Group treasury function provides a centralised treasury service to the Company, including managing its liquidity risk, market risk (interest rate management and foreign exchange management) and credit risk and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management. The term 'Group' in this context and where used elsewhere in these reports and financial statements means Vodafone Group Plc and its subsidiaries and associated companies.

The Company closed the year with cash of £12.1m (2022: £11.2m). During March 2023, the sale of handset receivables realised cash of £667m.

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

Principal risks and uncertainties

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

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

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

The principal risks and uncertainties for the Company and mitigating factors are as follows:

a) *Risk: Cyber threat*
   In both Business and Consumer, we host a sizeable amount of various kinds of customer data. In order to ensure compliance with our policies, security standards and GDPR requirements, our technology and business security functions evaluate security features in hardware and software applications to identify threats and potential areas of weakness.

b) *Risk: Significant outage to our network or IT systems*
   A significant malfunction or malicious attack on our network or IT systems could lead to service interruption for our customers and loss of revenue. Our networks are designed with specific backup and resilience requirements in addition to routinely tested business continuity and disaster recovery plans.

c) *Risk: Macro-economic disruption*
Inflation and the ongoing cost of living crisis could result in decreased demand for products/services as consumers cut back on spending and more vulnerable customers could struggle to keep up with payments leading to revenue loss and increased bad debt. There are measures in place to highlight and support these customers.

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

In accordance with SECR requirements, the below table provides a summary of GHG emissions and energy data for the Company during the year ended 31 March 2023.

	2023	**2022**
Scope 1 GHG emissions (m tonnes CO2e)	0.01	0.01
Scope 2 market-based GHG emissions (m tonnes CO2e)	-	0.03
Scope 2 location-based GHG emissions (m tonnes CO2e)	0.14	0.13
GHG emissions per GBP million of revenue	1.72	8.75
Total energy consumption (GWh)	656	664

172(1) Statement

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

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

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

Stakeholder engagement

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

STRATEGIC REPORT (continued)

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 board engagement with our key stakeholder groups during the year.

Further details on our engagement with stakeholders including the way we engaged and responded as a group can be found in the financial statements of Vodafone Group Plc for the year ended 31 March 2023 on its website www.vodafone.com.

People:

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

We continue to maintain our Pulse survey as a regular part of our employee engagement process and this provides us with very useful feedback on important employee matters relating to the Company.

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

Suppliers:

The Company is part of the wider Vodafone Group and operates under a global supply chain management function. The UK is helped by more than 700 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 relating to planet, diversity and safety are included in tenders and Group conducts supplier audits and assessments. The key topics raised through this engagement were improving health and safety standards, driving towards net zero emissions in supply chains and supplier and product innovation.

The UK held its annual supplier environment and safety forum and the Group recognised our suppliers with awards for health and safety, diversity and inclusion as well as planet efforts, and also launched an environmentally-linked supply chain finance programme which suppliers to the UK can benefit from.

Community & Environment:

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

everyone.connected

Our purpose north star in the UK is our everyone.connected campaign which has put tackling the digital divide at the heart of our business. Our directors believe connectivity is essential, and everyone should have access to the opportunities it provides. The digital divide between those who have access to digital technology, and the 1.7 million households who do not, is at risk of widening further.

Vodafone UK has already donated connectivity to one million people, now our directors have extended that commitment to help a total of four million people cross the digital divide by the end of 2025. everyone.connected is our campaign to help people access the connectivity, devices and skills they need to live life to the full.

Through the everyone.connected campaign, our Board has committed to working with charity partners, customers and employees to provide digital access and skills to the people and businesses in our society who need it most. We have helped more than 1,333,000 people so far by working with more than 2,000 charities, including our partners, the Trussell Trust through Buy One Give One, Barnardo's, with the Great British Tech Appeal, Good Things Foundation through their National Databank and Device bank, and hundreds more through our charities.connected initiative, allowing any UK registered charity to apply for free connectivity to tackle digital exclusion within their community. These charities support people in all sorts of situations that cause them to be digitally excluded, including those facing financial hardship, victims of domestic abuse, refugees arriving in the UK and the homeless.

In autumn of 2022, the Board approved the application of our everyone.connected campaign to help support those affected by the cost of living crisis, highlighting our support for the most vulnerable and launching affordable tariffs to support those on certain benefits including Essentials Broadband.

Widening the scope of our everyone.connected campaign beyond donating connectivity also enables us to provide digital skills and confidence to people who need them. In September 2022, we launched the Hi Digital platform through the Vodafone Foundation, a digital literacy tool aimed at over 65s and in February 2023, building on over a decade of commitment to online safety, we launched Digital Parenting Pro, the UK's largest directory of parental controls and safety settings across games, apps and social media.

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

Net zero

In relation to our environmental impact, our Board remains committed to progress towards our goal of cutting carbon emissions from our operations and from energy we purchase and use to net zero (Scope 1 & 2) by 2027[3]. Vodafone UK is powered by 100% renewable electricity since July 2021, and we have already cut carbon emissions from our operations by 92% (Scope 1 and 2 market-based emissions vs 2019/20 baseline), which means we are on track to achieve net zero by 2027[4]. This is being delivered through a major efficiency programme, moving to electric vehicles and powering our business and network with renewables.

[3] Science Based Targets initiative (SBTi) definition of net zero, which means that we will reduce our carbon emissions in absolute terms by 90-95% by our target year (in line with a science-based 1.5 degree pathway), and neutralise any residual emissions through high quality carbon offsetting

[4] Our current target using SBTi Corporate Net Zero standard approved defined terms includes reducing Scope 1 and 2 emissions by 95% by 2027

STRATEGIC REPORT (continued)

In the year ended 31 March 2023, Vodafone UK:

- Rolled out IoT and AI to improve the energy efficiency of our radio base station – on track to create 1,650 smart sites by the year ended 31 March 2024.
- Installed our first on-site solar panels at a mobile telephone exchange network site in Gloucester.
- Supported the development of 9 solar farms which are currently forecasted to provide 36% of our own demand electricity by the year ended 31 March 2025.
- Switched on the UK's first wind and solar powered mobile phone mast, supporting our net zero ambition and improving connectivity to remote locations.

We are also transitioning to an electric fleet and offering our employees an electric vehicle scheme through salary sacrifice.

Helping our customers

Our Internet of Things (IoT) technology has a vital role to play in helping our customers reduce their carbon emissions. Our research showed that new technologies such as 5G and IoT could help the UK reduce its carbon emissions by 4% a year, particularly in the transport, manufacturing and agriculture sectors. Examples underway include our Connected Forests project which showcases why our IoT network is ideal for connecting things in remote locations and how it can play a key role in protecting nature. We have also been using our IoT technology to help local authorities tackle major issues such as fly-tipping.

Circular economy

The Board is also committed to encouraging reuse, repair and recycling to create a more circular economy for our mobile devices and network equipment.

Our UK customers can already access circular services such as refurbished handsets; a market-leading digital platform with trade-in options; plus insurance, support and repairs to help them keep their handsets for longer.

In the year ended 31 March 2023 we extended our range of refurbished devices to 25 (2022: 22). Vodafone Business scaled our innovative leased mobile solution; over 95% of devices returned are recycled; and we are supporting our one million phones for the planet campaign with World Wide Fund for Nature to inspire people to hand in old devices for trade-in, to donate to social causes or to be recycled responsibly.

Governments and regulators

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

The Strategic Report was approved by the Board on 22 December 2023 and signed on its behalf by:

DocuSigned by:

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Ahmed Essameldin Ahmed Aboushelbaya
Director

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2023.

Principal activity

The principal activity of the Company is the provision of telecommunication services in the UK through its Mobile and Fixed Networks.

Results and dividends

For year ended 31 March 2023, the Company reported a loss for the financial year of £3.1m (2022: £136.9m profit). The Income Statement set out on page 17 of the financial statements summarises the trading, interest and tax components of the loss/profit. No interim dividend was paid (2022: £nil) and no final dividend is proposed (2022: £nil).

Future developments

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

Directors

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

Emanuele Tournon	
Ahmed Essameldin Ahmed Aboushelbaya	
Nicholas Gliddon	(appointed 25 May 2022)
Max Taylor	(appointed 2 December 2022)

Registered office and company domicile

The Company is a private limited company and its registered office is Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN. The Company is incorporated in England and Wales, and domiciled in the United Kingdom (Company number 01471587).

Company's Auditor

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

Political donations

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

Financial risk management

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

There has been no significant change during the financial year to the types of financial risks faced by the Company, or the Company's approach to the management of those risks. Further details of the Group's policies can be found in the annual report and financial statements of the Vodafone Group Plc, the ultimate parent undertaking, for the year ended 31 March 2023, which does not form part of this report.

Going concern

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

In assessing whether the Company is a going concern, the directors have considered the financial performance, position and expected cashflows of the Company for the period to 31 December 2024, access to its deposit account and the intercompany liabilities which are repayable on demand.

The directors have performed reverse stress testing on the cashflow forecast and concluded that this has no significant impact on the going concern conclusion as these are not considered plausible scenarios.

The directors noted that the Company has £2,738m of cash held in a call deposit account at 31 March 2023 as part of the Vodafone Group Plc cash pooling arrangement. Under the terms of the arrangement, the Company has control of the deposit account and can withdraw funds as needed. Furthermore, the directors have reviewed the financial performance and position of Vodafone Group Plc and note there is sufficient cash and liquidity to support the cash pooling arrangement as needed.

The Group has confirmed its support to the Company to refinance £2,473m of intercompany liabilities repayable on demand, as and when they fall due, to the extent that alternative sources of funding are not available to settle obligations.

The directors have concluded that the Company is able to continue in operation for the period up to and including 31 December 2024 and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements, having also considered the planned funding structure of the Company following the proposed merger with Three UK, which remains subject to shareholder and regulatory approval.

Employee involvement and commitment

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

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

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

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

Disabled persons

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

We have an active and engaged employee network, called VodABILITY, which supports colleagues who have, and raises awareness of, disabilities. Our commitment to supporting colleagues who have a disability is supported by the fact that MG Pecorari, our UK Wholesale and Strategy Director, is the Executive Sponsor of the VodABILITY network.

Corporate governance arrangements

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

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

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

VODAFONE LIMITED

Company No: 01471587

REPORT OF THE DIRECTORS (continued)

Statement of directors' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Indemnification of directors

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

Statement as to disclosure of information to auditors

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

The report of the directors was approved by the Board on 22 December 2023 and signed on its behalf by:

DocuSigned by:
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Ahmed Essameldin Ahmed Aboushelbaya
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF VODAFONE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Vodafone Limited for the year ended 31 March 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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 as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- confirming our understanding of the directors' going concern assessment proves, including controls over the review and approval of the long-range plan;
- assessing the appropriateness of the duration of the going concern assessment period to 31 December 2024 and considering the existence of any significant events or conditions beyond this period based on our procedures on the Company's long-range plan and from knowledge arising from other areas of the audit;
- evaluating management's historical forecast accuracy and the consistency of the going concern assessment with information obtained from other areas of the audit;
- testing the assessment, including forecast liquidity under base and downside scenarios, for clerical accuracy;
- assessing whether assumptions made were reasonable and in the case of downside scenarios, appropriately severe, in light of the Company's relevant principal risks and uncertainties and our own independent assessment of those risks;
- evaluating the amount and timing of identified mitigating actions available to respond to a severe downside scenario, and whether those actions are feasible and within the Company's control;

- challenging the appropriateness of management's 'reverse stress test' downside scenario to understand how severe conditions would have to be to breach liquidity and whether the reduction in EBITDA required has no more than a remote possibility of occurring; and

- performing independent sensitivity analysis on management's assumptions including applying incremental adverse cashflow sensitivities.

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 31 December 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 12 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the UK Companies Act 2006), the relevant tax compliance regulations in the United Kingdom, the General Data Protection Regulation (GDPR) and the Financial Conduct Authority (FCA);

- we understood how the company is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our reading of board minutes and correspondence received from regulatory bodies, and any claims against the Company;

- we assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business, to understand where it considered there was susceptibility to fraud; and assessing whistleblowing incidences for those with a potential financial reporting impact. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, and how senior management monitors those programmes and controls;

- where risks or incidences of potential fraud were identified, we developed specific procedures to respond to the risks, including where necessary using our forensic investigation specialists. At a Company level our procedures also involved: enquiries of management and those charged with governance, legal counsel, the fraud investigation, whistleblowing and investigation team; journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions, and challenging the assumptions and judgements made by management in respect of significant one-off transactions in the financial year and significant accounting estimates;

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

- based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary.

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

Use of our report

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

Ernst & Young LLP

Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22 December 2023

VODAFONE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £m	2022 £m
Revenue	2	5,810.6	5,543.2
Cost of sales		(4,029.8)	(4,147.4)
Gross profit		1,780.8	1,395.8
Selling and distribution expenses		(482.3)	(498.4)
Administrative expenses		(1,133.5)	(1,078.1)
Net credit losses on financial assets		(181.5)	(137.0)
Operating loss	3	(16.5)	(317.7)
Net finance income/(expense)	6	15.7	(28.3)
Loss on ordinary activities before taxation		(0.8)	(346.0)
Income tax on ordinary activities	7	(2.3)	482.9
(Loss)/profit for the financial year		(3.1)	136.9

The results above are derived from continuing operations.

The accompanying notes on pages 21 to 59 are an integral part of these financial statements.

VODAFONE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £m	2022 £m
(Loss)/profit for the financial year		(3.1)	136.9
Other comprehensive income/(expense):			
Items that may be reclassified to profit or loss			
Fair value movements on assets at fair value through other comprehensive income		(23.7)	28.7
Cash flow hedging reserve		(5.0)	9.9
		(28.7)	38.6
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains in the value of defined benefit retirement plans	21	(190.2)	450.0
Tax attributable to actuarial (losses)/gains	7	52.4	(111.2)
		(137.8)	338.8
Other comprehensive (expense)/income		(166.5)	377.4
Total comprehensive (expense)/income for the financial year		(169.6)	514.5

The accompanying notes on pages 21 to 59 are an integral part of these financial statements.

VODAFONE LIMITED
Company No: 01471587

STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

	Note	2023 £m	2022 £m
Non-current assets			
Intangible assets	8	1,798.5	1,821.4
Property, plant and equipment	9	3,760.4	3,711.4
Investments	10	25.1	25.1
Deferred tax asset	16	1,751.0	1,634.7
Post-employment benefits	21	214.2	394.7
		7,549.2	7,587.3
Current assets			
Inventories	11	153.0	120.9
Trade and other receivables: amounts falling due within one year	12	4,174.5	3,863.0
Trade and other receivables: amounts falling due after more than one year	12	489.5	598.2
Cash and cash equivalents		12.1	11.2
		4,829.1	4,593.3
Creditors: amounts falling due within one year	13	(4,579.2)	(4,223.4)
NET CURRENT ASSETS		249.9	369.9
TOTAL ASSETS LESS CURRENT LIABILITIES		7,799.1	7,957.2
Creditors: amounts falling due after more than one year	14	(1,343.4)	(1,295.3)
Provisions for liabilities	15	(163.0)	(205.1)
Post-employment benefits	21	(6.5)	(6.3)
NET ASSETS		6,286.2	6,450.5
EQUITY			
Called up share capital	17	-	-
Share premium account		9,227.0	9,227.0
Retained earnings		(2,940.8)	(2,776.6)
TOTAL SHAREHOLDERS' FUNDS		6,286.2	6,450.5

The financial statements on pages 17 to 59 were approved and authorised for issue by the directors on 22 December 2023 and were signed on its behalf by:

DocuSigned by:
Emanuele Tournon
90E37693635B4BB...
Emanuele Tournon
Director

VODAFONE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2023

	Note	Called up share capital £m	Share premium account £m	Retained earnings £m	Total Shareholder's funds £m
Balance at 1 April 2021		-	9,227.0	(3,295.0)	5,932.0
Profit for the year		-	-	136.9	136.9
Other comprehensive income		-	-	377.4	377.4
Total comprehensive income for the year		-	-	514.5	514.5
Net share-based payments		-	-	4.0	4.0
Balance at 1 April 2022		-	9,227.0	(2,776.6)	6,450.5
Loss for the year		-	-	(3.1)	(3.1)
Other comprehensive expense		-	-	(166.5)	(166.5)
Total comprehensive expense for the year		-	-	(169.6)	(169.6)
Net share-based payments	20	-	-	5.4	5.4
Balance at 31 March 2023		-	9,227.0	(2,940.8)	6,286.2

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

1. Statement of accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The accounting policies adopted in respect of material items are described below.

Basis of preparation

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

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

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

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

(a) Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Shared-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
(b) IFRS 7 'Financial Instruments: Disclosures';
(c) Paragraph 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
(d) 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';
(e) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 'Leases';
(f) Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73 (e) of IAS 16 'Property, Plant and Equipment' and paragraph 118 (e) of IAS 38 'Intangible assets'.
(g) The following paragraphs of IAS 1 'Presentation of financial statements':
- 10(d) (statement of cash flows);
- 16 (statement of compliance with all IFRS);
- 38A (requirement for minimum of two primary statements, including cash flow statements);
- 38B-D (additional comparative information);
- 40A-D (requirements for a third statement of financial position);
- 111 (cash flow statement information); and
- 134 – 136 (Capital management disclosures);

(h) IAS 7 'Statement of cash flows';
(i) 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);
(j) The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and
(k) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets', provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

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.

In assessing whether the Company is a going concern, the directors have considered the financial performance, position and expected cashflows of the Company for the period to 31 December 2024, access to its deposit account and the intercompany liabilities which are repayable on demand.

The directors have performed reverse stress testing on the cashflow forecast and concluded that this has no significant impact on the going concern conclusion as these are not considered plausible scenarios.

The directors noted that the Company has £2,738m of cash held in a call deposit account at 31 March 2023 as part of the Vodafone Group Plc cash pooling arrangement. Under the terms of the arrangement, the Company has control of the deposit account and can withdraw funds as needed. Furthermore, the directors have reviewed the financial performance and position of Vodafone Group Plc and note there is sufficient cash and liquidity to support the cash pooling arrangement as needed.

The Group has confirmed its support to the Company to refinance £2,473m of intercompany liabilities repayable on demand, as and when they fall due, to the extent that alternative sources of funding are not available to settle obligations.

The directors have concluded that the Company is able to continue in operation for the period up to and including 31 December 2024 and that it is appropriate to continue to adopt the going concern basis in preparing the financial statements, having also considered the planned funding structure of the Company following the proposed merger with Three UK, which remains subject to shareholder and regulatory approval.

Accounting policies that materially impact the financial statement are as follows:

Revenue recognition

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

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

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

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

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

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

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

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

When revenue recognised in respect of a customer contract exceeds amounts received or receivable from a customer at that time, a contract asset is recognised. If amounts received or receivable from a customer exceed revenue recognised for a contract, a contract liability is recognised.

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

Contract-related costs

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

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

Intangible assets

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

Goodwill

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

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation, but instead is tested annually for impairment or whenever there is evidence that it may be required.

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

Spectrum license fees

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

Computer software

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

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

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

Property, plant and equipment

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

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

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

Depreciation of property, plant and equipment

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

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

Depreciation is not provided on freehold land.

Investments

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

Asset impairment

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

Inventory

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

Leases

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

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

Lease liabilities are initially measured at the value of the lease payments over the lease term that are not paid at the commencement date and are discounted using the Company's incremental borrowing rates. Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

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

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

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

Income from operating leases is recognised on a straight-line basis over the lease term. Income from finance leases is recognised at lease commencement with interest income recognised over the lease term. Lease income is recognised as revenue for transactions that are part of the Company's ordinary activities (primarily equipment provided to customers). The Company uses IFRS15 principles to allocate the consideration in contracts between any lease and non-lease components.

Taxation

The tax expense for the period comprises current and deferred taxes. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income, in which case the tax is also recognised in other comprehensive income.

The current tax charge calculation is based on the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on 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 non-deductible 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.

Borrowings

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

Finance costs and income

Finance costs and income are recognised in the Income Statement in the period in which they are incurred or earned respectively.

Foreign currencies

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

Hedging

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

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

Pensions

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

Defined benefit pension schemes

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

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

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

Defined contribution pension schemes

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

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

Financial assets

The Company classifies its financial assets under loans and receivables: Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise receivables and cash. When the Company establishes a practice of selling portfolios of receivables from time to time, these portfolios are recorded at fair value through other comprehensive income.

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

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

Creditors

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

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

Share-based payments

Vodafone Group Plc issues equity-settled share-based awards in the form of share options and rights to shares to certain employees of the Company. Equity-settled share-based awards are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

For share options granted under Vodafone Sharesave Plan, fair value is measured using a binomial pricing model, which is calibrated using a Black-Scholes option pricing framework. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is taken into account when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone Group Plc's ranking within the same group of companies, where possible, over the past five years. The fair value of awards of non-vested shares is a calculation of the closing price of Vodafone Group Plc's shares on the day prior to the grant date, adjusted for the present value of the delay in receiving dividends where appropriate.

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

Provisions

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

Critical accounting judgements and estimates

Judgements and estimates 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 accounting judgements that significantly impact the amounts recognised in the financial statements and the estimates that are considered to be 'critical estimates' due to their potential to give rise to material adjustments in the financial statements in the year to 31 March 2024 are addressed below.

(a) Revenue recognition

Gross versus net presentation

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

Allocation of revenue to goods and services provided to customers

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

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

Critical accounting judgements and estimates (continued)

(b) Finite lived intangible assets

Finite lived intangible assets include licence fees and the costs of purchasing and developing computer software.

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Reducing the useful life will increase the amortisation charge in the Income Statement. Useful lives are periodically reviewed to ensure that they remain appropriate. Management's estimates of useful life have a material impact on the amount of amortisation recorded in the year, but there is not considered to be a significant risk of material adjustment to the carrying values of intangible assets in the year to 31 March 2024 if these estimates were revised.

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

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

(c) Taxation

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

The recoverability and recognition of the deferred tax asset is based on a probability assessment that there will be suitable future taxable profits available within the Vodafone UK Corporate Tax Group against which to utilise the assets in the future.

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

The estimated cash flows inherent in these forecasts include the unsystematic risks of operating in the telecommunications business including the potential impacts of changes in the market structure, trends in customer pricing, the costs associated with the acquisition and retention of customers, future technological evolutions and potential regulatory changes, such as our ability to acquire and/or renew spectrum licences.

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

The Vodafone UK Corporate Tax Group only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits. See note 7 'Income tax on ordinary activities'.

Critical accounting judgements and estimates (continued)

(d) Lease accounting

Lease accounting under IFRS 16 necessitates the collation and processing of very large amounts of data and the increased use of management judgements and estimates to produce financial information. The most significant accounting judgements are disclosed below.

Lease identification

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

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

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

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

Critical accounting judgements and estimates (continued)

Lease term

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

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

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

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

(e) Property, plant and equipment

Property, plant and equipment represents 30.4% (2022: 30.5%) of the Company's total assets. See note 9 'Property, plant and equipment'.

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Increasing an asset's expected life or residual value would result in a reduced depreciation charge in the Income Statement. Management's estimates of useful life have a material impact on the amount of depreciation recorded in the year, but there is not considered to be a significant risk of material adjustment to the carrying values of property, plant and equipment in the year to 31 March 2024 if these estimates were revised.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and considering other relevant factors such as any expected changes in technology. The useful life of network infrastructure is assumed not to exceed the duration of related operating licences unless there is a reasonable expectation of renewal or an alternative future use for the asset.

Critical accounting judgements and estimates (continued)

(f) Post-employment benefits

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

(g) Impairment reviews

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

The impairment testing requires management to judge whether the carrying value of assets can be supported by the recoverable amount of the assets, considering the fair value less cost of disposal ('FVLCD') of the assets and/or their value in use. Management has applied the FVLCD method, using a discounted cash flow approach, which requires assumptions to be made in respect of highly uncertain matters including management's expectations of:

- Projected cash flows for a 5-year period, including assumptions regarding the timing and amount of future capital expenditure, licence and spectrum payments;
- Long-term growth rates; and
- Pre-tax discount rates.

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

2. Revenue

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

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

	2023	2022
	£m	£m
Service revenue	4,558.2	4,324.0
Hardware revenue	1,172.8	1,155.4
Revenue from contracts with customers	5,731.0	5,479.4
Other revenue	79.6	63.7
Total revenue	5,810.6	5,543.1

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

The total future revenue from the Company's contracts with customers with performance obligations not satisfied at 31 March 2023 is £3,693m (2022: £3,729m), of which £2,083m (2022: £2,109m) is expected to be recognised within the next year and the majority of the remaining amount in the subsequent 12 months.

3. Operating loss

The operating loss of £16.5m (2022: £317.7m loss) is stated after charging/(crediting):

	2023	2022
	£m	£m
Credit losses on trade receivables	95.7	62.6
Credit losses on contract assets	85.8	74.5
Depreciation of property, plant and equipment (note 9):		
Owned assets	509.9	523.1
Leased assets	668.7	631.3
Fees payable to the Company's auditor:		
Audit of the Company's financial statements	1.4	1.4
(Profit)/loss on disposal of fixed assets	(9.2)	4.4
Amortisation of licence fees (note 8)	94.9	334.9
Amortisation of computer software (note 8)	194.8	185.7
Reorganisation (credit)/expense – restructuring	(14.1)	36.3
Net foreign exchange loss	1.3	0.5

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

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

4. Employees

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

	2023 Number	2022 Number
Selling and distribution	2,002	2,160
Administration	7,111	6,850
	9,113	9,010

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

	2023 £m	2022 £m
Wages and salaries	477.3	440.9
Social security costs	61.1	54.6
Other pension costs	65.7	40.1
Cost of employee share schemes	13.9	10.5
	618.0	546.1

5. Directors' remuneration

	2023	2022
	£'000	£'000
Emoluments	3,140.8	2,854.9
Company payments to defined contribution pension schemes	12.7	9.8
	3,153.5	2,864.7

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

	2023	2022
	Number	Number
Number of directors in the year who:		
Are members of a defined contribution pension scheme:	4	3

	2023	2022
	£'000	£'000
Highest paid director's remuneration	1,580.6	1,534.6

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

6. Net finance income/(expense)

	2023	2022
	£m	£m
Interest receivable and similar income:		
Vodafone Group companies	44.5	3.0
Interest on investment in leases	3.6	2.8
	48.1	5.8
Interest payable and similar charges:		
Vodafone Group companies	(6.4)	(3.1)
Interest on lease liabilities	(33.3)	(29.1)
Other interest and charges	(3.2)	(2.1)
	(42.9)	(34.3)
Net interest income on defined benefit pension scheme	10.5	0.2
	15.7	(28.3)

7. Income tax on ordinary activities

	2023	2022
	£m	£m
UK Corporation Tax credit/(charge) at 19% (2022: 19%)	17.3	(20.8)
Adjustments in respect of prior years	(83.5)	94.0
Total current taxation (charge)/credit	(66.2)	73.2
Deferred taxation (charge)/credit - current year	(24.3)	93.1
Deferred taxation credit/(charge) - prior year	72.9	(95.5)
Deferred taxation credit - impact of change in tax rate	15.3	412.1
Total deferred taxation credit	63.9	409.7
Total income tax (charge)/credit	(2.3)	482.9

	2023	2022
	£m	£m
Tax included in other comprehensive income		
Tax attributable to actuarial losses	-	0.3
Origination and reversal of temporary differences	39.8	(91.7)
Impact of change in tax rate	12.6	(19.8)
Total tax credit/(charge) included in other comprehensive income	52.4	(111.2)

The elements of deferred taxation are shown in note 16.

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

The rate of 25% (2022: 25%) has been used to calculate the closing deferred tax asset/(liability).

7. Income tax on ordinary activities (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2022: 19%). The actual income tax for the current and previous year differs from the tax credit/(charge) at the standard rate for the reasons set out in the following reconciliation:

	2023	2022
	£m	£m
Loss before taxation	(0.8)	(346.0)
Tax credit on loss before income tax at standard rate of 19% (2022: 19%)	0.2	65.7
Factors affecting tax credit for the year:		
Adjustments in respect of prior years	(10.6)	(1.5)
Permanent differences	(7.2)	6.6
Re-measurement of deferred tax – change in UK tax rate	15.3	412.1
Income tax (charge)/credit for the year	(2.3)	482.9

8. Intangible assets

	Goodwill	Licence fees	Computer software	Total
	£m	£m	£m	£m
Cost				
At 1 April 2022	309.6	7,485.7	1,876.3	9,671.6
Additions	-	-	267.2	267.2
Transfers	-	-	22.5	22.5
Disposals	-	-	(72.5)	(72.5)
At 31 March 2023	309.6	7,485.7	2,093.5	9,888.8
Accumulated amortisation				
At 1 April 2022	-	6,463.7	1,386.5	7,850.2
Charge for the year	-	94.9	194.8	289.7
Transfers	-	-	22.5	22.5
Disposals	-	-	(72.1)	(72.1)
At 31 March 2023	-	6,558.6	1,531.7	8,090.3
Net book value				
At 31 March 2023	309.6	927.1	561.8	1,798.5
At 31 March 2022	309.6	1,022.0	489.8	1,821.4

8. Intangible assets (continued)

Management considers that the company as a whole is a single cash-generating unit ('CGU') to which all goodwill is allocated. The reconciliation of the carrying amount of goodwill from the beginning of reporting periods to the end of the reporting periods is disclosed above.

Impairment testing is carried out by the company at each year end date. No impairments were recognised for the CGU during the year ended 31 March 2023. Management determined the recoverable amount of the CGU based on fair value less costs of disposal ('FVLCD'), which is higher than value in use for the year ended 31 March 2023. The FVLCD is calculated using a discounted cash flow approach, with a discount rate applied to market participant based projected cash flows and terminal value. The FVLCD is categorised in its entirety as Level 3 in the fair value hierarchy. The CGU's recoverable amount based on FVLCD represents a change in estimate from the prior year, which was based on value in use, and as a result prior period comparatives are not comparable nor disclosed.

The key assumptions used in determining the FVLCD are:

- Projected cash flows are based on management's formal five-year plan adjusted for objectives and assumptions available to market participants.
- The long-term growth rate into perpetuity is applied immediately at the end of the five-year forecast period. It is benchmarked against externally available information, including macroeconomic and market-specific factors.
- The pre-tax discount rate is derived such that when applied to pre-tax cash flows it gives the same result as when the observable post-tax weighted average cost of capital is applied to post-tax cash flows. The assumptions used to develop discount rates are benchmarked against externally available data. These include risk-free rate, beta, gearing, market risk premium, cost of debt and tax rate. The discount rate is determined in nominal terms in order to match the nominal estimates of future cash flows.
- Cost of disposal are based on market participant transaction analysis and expressed as a percentage deducted from fair value.

The long-term growth rate and pre-tax discount rate used in the FVLCD calculation of the CGU are disclosed as follows:

Long-term growth rate	3.4%
Pre-tax discount rate	8.4%

The estimated recoverable amount exceeds the carrying value by £0.9 billion. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2023.

Recoverable amount = carrying value	**Basis points**
5 year adjusted EBITDAaL CAGR	(4.1)%
Long-term growth rate	(0.8)%
Pre-tax discount rate	0.9%

Projected adjusted EBITDAaL (post intercompany recharges) CAGR is expressed as the compound annual growth rate in the initial five years of the fair value business plan.

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2023

9. Property, plant and equipment

	Freehold land & buildings and leasehold improvements	Plant, machinery and motor vehicles	Furniture and fittings	Network infrastructure	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 April 2022	169.0	146.6	305.3	9,208.5	167.3	9,996.7
Additions	-	0.5	2.0	321.8	199.1	523.4
Transfers	27.1	24.2	14.9	241.9	(112.5)	195.6
Disposals	(43.8)	(7.8)	(45.1)	(227.2)	-	(323.9)
At 31 March 2023	152.3	163.5	277.1	9,545.0	253.9	10,391.8
Accumulated depreciation						
At 1 April 2022	140.4	135.1	208.4	7,266.9	-	7,750.8
Charge for the year	0.7	6.2	28.6	474.4	-	509.9
Transfers	27.1	20.2	-	148.3	-	195.6
Disposals	(39.3)	(7.4)	(36.4)	(213.2)	-	(296.3)
At 31 March 2023	128.9	154.1	200.6	7,676.4	-	8,160.0
Net book value						
At 31 March 2023	23.4	9.4	76.5	1,868.6	253.9	2,231.8
At 31 March 2022	28.6	11.5	96.9	1,941.6	167.3	2,245.9

Included in property, plant and equipment is freehold land with a cost of £9.5m (2022: £9.5m). Freehold land is not depreciated.

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

Net book value						
Property, plant and equipment (owned assets)	23.4	9.4	76.5	1,868.6	253.9	2,231.8
Right of use assets	967.2	11.1	-	550.3	-	1,528.6
At 31 March 2023	990.6	20.5	76.5	2,418.9	253.9	3,760.4

Additions of £818.2m and a depreciation charge of £171.4m, £5.0m, and £492.3m in respect of land and buildings, motor vehicles and network infrastructure, respectively, were recorded in respect of right-of-use assets during the year to 31 March 2023. Certain tower space leases previously presented within network infrastructure have now been reclassified to land and buildings right-of-use assets.

10. Investments

	£m
At 1 April 2022 and at 31 March 2023	25.1

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

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

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

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

11. Inventories

	2023 £m	2022 £m
Finished goods held for resale	153.0	120.9

There is no material difference between the balance sheet value of inventory and its replacement cost. Cost of sales includes amounts related to inventory of £960.6m (2022: £1,024.0m). Inventories are stated after provisions for impairment of £14.1m (2022: £17.9m).

12. Trade and other receivables

	2023 £m	2022 £m
Trade and other receivables: amounts falling due within one year		
Trade receivables	417.4	365.6
Trade Receivable held at Fair Value through Other Comprehensive Income	134.4	181.7
Net investment in leases	42.7	27.1
Amounts owed by group undertakings	2,779.6	2,615.5
Group relief receivable	17.3	-
Other receivables	30.1	23.5
Contract assets	365.4	322.4
Contract related costs	215.4	189.0
Prepayments	172.2	138.2
	4,174.5	3,863.0
Trade and other receivables: amounts falling due after more than one year		
Trade Receivable held at Fair Value through Other Comprehensive Income	99.7	228.2
Net investment in leases	147.4	217.2
Other receivables	36.8	-
Contract assets	87.9	36.5
Contract related costs	76.9	89.3
Prepayments	40.8	27.0
	489.5	598.2
	4,664.0	4,461.2

Amounts owed by Group undertakings are unsecured and repayable on demand. The carrying amounts of trade and other receivables approximate their fair value. When the Company establishes a practice of selling portfolios of receivables from time to time, these portfolios are recorded at fair value through other comprehensive income; all other trade receivables are recorded at amortised cost.

Trade receivables are stated after expected future credit losses of £188.9m (2022: £116.8m). Contract assets are stated after expected future credit losses of £7.8m (2022: £6.9m).

The Company's contract related costs comprise £287.5m (2022: £275.0m) relating to costs incurred to obtain customers contracts and £4.8m (2022: £3.3m) relating to costs incurred to fulfil customer contracts. An amortisation expense of £264.8m (2022: £234.5m) was recognised in the operating loss during the year.

13. Creditors: amounts falling due within one year

	2023	2022
	£m	£m
Trade payables	713.1	563.6
Amounts owed to group undertakings	2,472.6	2,157.9
Lease liabilities	514.8	607.1
Group relief payable	-	20.5
Other taxation and social security costs	215.7	246.3
Other payables	69.3	53.5
Other loans	2.0	1.7
Accruals	367.6	369.3
Contract liabilities	224.1	203.5
	4,579.2	4,223.4

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

Materially, all of the £203.5m recorded as current contract liabilities at 1 April 2022 was recognised as revenue during the year.

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

	2023	2022
	£m	£m
Other payables	0.4	0.4
Lease liabilities	1,221.4	1,220.4
Contract liabilities	36.8	13.1
Other taxes and social security costs	84.8	61.4
	1,343.4	1,295.3

The maturity of creditors falling due after more than one year is as follows:	2023	2022
	£m	£m
Between 2 and 5 years	1,142.0	957.6
More than 5 years	201.4	337.7
	1,343.4	1,295.3

15. Provisions for liabilities

	Asset retirement obligations	Other	Total
	£m	£m	£m
At 1 April 2022	167.6	37.5	205.1
Amount charged to the income statement	-	10.4	10.4
Additions	17.6	-	17.6
Released in the year	(30.6)	(23.2)	(53.8)
Utilised in the year	(8.9)	(10.7)	(19.6)
Discount unwind	3.3	-	3.3
At 31 March 2023	149.0	14.0	163.0
The maturity of provisions is as follows:			
Amounts falling due within one year	4.9	7.9	12.8
Amounts falling due after more than one year	144.1	6.1	150.2
	149.0	14.0	163.0

Asset retirement obligations are primarily provisions recognised by the Company to decommission its network assets at the end of their operating life. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets to which they relate and are long-term in nature; primarily in periods up to 25 years from when the asset is brought into use.

Other provisions mainly relate to restructuring activities, including onerous non-lease costs associated with vacant leased properties. The majority of the balance is expected to be utilised over the next 15 years.

16. Deferred taxation

	2023 £m	2022 £m
The elements of deferred taxation which have been recognised as assets and liabilities in the Statement of Financial Position are as follows:		
Accelerated capital allowances	1,738.3	1,681.3
Share based payments	3.0	4.1
Pension asset	-	9.5
Other timing differences	62.6	48.0
Total deferred tax asset	1,803.9	1,742.9
Pension liability	(51.7)	(106.4)
Other timing differences	(1.2)	(1.8)
Total deferred tax liabilities	(52.9)	(108.2)
Net deferred tax asset	1,751.0	1,634.7

Deferred tax assets and liabilities have not been discounted.

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

	2023 £m	2022 £m
Net deferred tax asset at the beginning of year	1,634.7	1,336.2
Amount credited to the income statement	63.9	409.7
Amount credited/(charged) to other comprehensive income	52.4	(111.2)
Net deferred tax asset at the end of year	1,751.0	1,634.7

16. Deferred taxation (continued)

Reconciliation of the deferred tax asset as at 31 March 2023

	Accelerated capital allowances	Share-based payment	Pension asset	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2022	1,681.3	4.1	9.5	48.0	1,742.9
Credited/(charged) to the income statement	57.0	(0.9)	(9.5)	8.7	55.3
Charged directly to other comprehensive income	-	(0.2)	-	5.9	5.7
At 31 March 2023	1,738.3	3.0	-	62.6	1,803.9

Reconciliation of deferred tax liability as at 31 March 2023

	Accelerated capital allowances	Share-based payment	Pension liability	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2022	-	-	(106.5)	(1.7)	(108.2)
Charged to the income statement	-	-	8.1	0.5	8.6
Credited directly to other comprehensive income	-	-	46.7	-	46.7
At 31 March 2023	-	-	(51.7)	(1.2)	(52.9)

The recoverability of the deferred tax asset is evaluated through a probability assessment of the future taxable profit that will be available for the temporary differences to be utilised against. The future taxable profit is based on estimates.

Based on the current forecasts and taking into account the majority of the asset comprises of capital allowances, which can only be utilised on a reducing balance basis, 77% of the 2023 deferred tax asset is forecast to be used within the next 10 years while 96% is forecast to be used within 20 years. 99% of the deferred tax asset will be recovered over the next 31 years.

Changes in the assumptions which underpin the Vodafone UK Corporate Tax Group's forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax asset would be recovered. However, an increase or decrease in the forecast taxable profits in each year of 5%-10% would not change the total period over which the deferred tax asset will be utilised.

The tax rate for the current year is 19%. A rate increase in the UK corporation tax rate to 25% was substantively enacted in Finance Act 2021 and applies to accounting periods starting on or after 1st April 2023. The rate of 25% (2022: 25%) has been used to calculate the above deferred tax asset/(liability).

17. Called up share capital

	2023	2022
	£	£
Allotted, issued and fully paid:		
4,543 (2022: 4,543) ordinary shares of £1 each	4,543	4,543

18. Capital and other commitments

	2023	2022
	£m	£m
Contracts for future capital expenditure not provided in the financial statements	115.9	46.5

19. Leases

The Company's leasing activities

As a lessee

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

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

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

19. Leases (continued)

Operational lease periods

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

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

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

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

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

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

	2023 £m	2022 £m
Within one year	565.8	596.9
In more than one year but less than two years	375.1	344.9
In more than two years but less than three years	251.1	237.1
In more than three years but less than four years	231.5	201.8
In more than four years but less than five years	224.6	193.4
In more than five years	258.0	379.7
	1,906.1	1,953.8
Effect of discounting	(169.9)	(126.2)
Lease liability	1,736.2	1,827.6

19. Leases (continued)

At 31 March 2023 the Company had entered into lease contracts with undiscounted payment obligations totaling £16.5m (2022: £nil) that had not yet commenced.

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

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

As a lessor

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

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

	2023 £m	2022 £m
Lease revenue (note 2)	35.1	38.7
Income from leases not recognised as revenue	6.9	8.3

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

	2023 £m	2022 £m
Within one year	47.0	51.8
In more than one year but less than two years	40.7	51.6
In more than two years but less than three years	35.6	40.2
In more than three years but less than four years	31.8	35.7
In more than four years but less than five years	29.8	31.6
In more than five years	9.8	41.0
	194.7	251.8
Effect of discounting	(4.6)	(7.5)
Net investment in leases	190.1	244.3

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

20. Share-based payments

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

IFRS 2 requires that equity-settled share-based payments issued to the Company's employees are measured at fair value and that this value is expensed over the vesting period, with an equivalent credit taken directly in equity as a capital contribution. On vesting of the shares, the Company is charged the intrinsic value of the share by Vodafone Group Plc. This amount is treated as a reduction of the capital contribution and is recognised directly in equity.

(i) Share options

Vodafone Group Sharesave Plan

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

(ii) Share plans

Vodafone Group Executive Plans

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

21. Post-employment benefits

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

Defined contribution pension schemes

Defined contribution pension costs charged to the Income Statement were £59.8m (2022: £55.8m). There were no amounts accrued, but not paid, in respect of pension schemes at 31 March 2023 (2022: £nil).

Defined benefit plans

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

21. Post-employment benefits (continued)

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

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

The most recent valuations for the Vodafone Section and CWW Section of the Vodafone UK plan were carried out as at 31 March 2022, by an independent actuary appointed by the plan trustee. These valuations revealed a net surplus of £248m on the funding basis, comprising of a £97m surplus for the Vodafone Section and a £151m surplus for the CWW Section. No further contributions are due in respect of the Vodafone UK plan at this time. The next actuarial valuation has an effective date of 31 March 2025.

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

The Company also operates the THUS Group Plc Pension Scheme and a small unfunded plan.

The funding policies for these plans are reviewed on a systematic basis in consultation with the independent plan actuaries in order to ensure that the funding contributions from sponsoring employers are appropriate to meet the liabilities of the plans over the long term. The Company has a funding commitment to the THUS Group Plc Pension Scheme of £5m for the year ended 31 March 2024.

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

	2023	2022
	£m	£m
Current service cost	0.7	1.0
Past service credit	-	(21.2)
Interest income	(10.5)	(0.2)
Administration expense	5.1	4.5
Total net credit	(4.7)	(15.9)

21. Post-employment benefits (continued)

IAS 19 valuation – the Vodafone UK plan and other schemes

IAS 19 valuations of the defined benefit pension schemes operated by the Company have been prepared as at 31 March 2023 by qualified independent actuaries, ISIO Group. Plan liabilities are measured using the projected unit credit method; the principal actuarial assumptions are set out below:

	2023 Assumption %	2022 Assumption %
RPI Inflation	3.18	3.50
Pension increases	2.90	3.40
Discount rate	4.68	2.62

The assumptions regarding mortality in retirement for the Vodafone UK plan as at 31 March 2023 use the S3PXA tables with scheme specific adjustments, subject to improvements in line with the CMI 2021 projections and a longer term trend rate 1.5% per annum and smoothing factor 7.5, for both males and females.

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

	On 31 March 2023	Retiring in 25 yrs
Male	22.7 yrs	23.8 yrs
Female	24.7 yrs	25.6 yrs

	2023 £m	2022 £m
Total market value of assets	3,046.0	4,742.4
Present value of scheme liabilities	(2,838.3)	(4,354.0)
Net surplus/(deficit) over funded obligations	207.7	388.4
Represented by:		
Schemes with excess of assets over obligations	214.2	394.7
Schemes with excess of obligations over assets	(6.5)	(6.3)

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

21. Post-employment benefits (continued)

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

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

	Assets £m	Liabilities £m	Net surplus £m
1 April 2022	4,742.4	(4,354.0)	388.4
Service cost	-	(0.7)	(0.7)
Past service cost	-	-	-
Interest income/(cost)	123.0	(112.5)	10.5
Return on plan assets excluding interest income	(1,695.8)	-	(1,695.8)
Actuarial gains arising from changes in financial assumptions	-	1,526.0	1,526.0
Actuarial gains arising from changes in demographic assumptions	-	136.3	136.3
Actuarial losses arising from experience adjustments	-	(156.7)	(156.7)
Employer contributions	4.8	-	4.8
Employee contributions	0.1	(0.1)	-
Benefits paid	(123.4)	123.4	-
Expenses paid	(5.1)	-	(5.1)
31 March 2023	3,046.0	(2,838.3)	207.7

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

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

21. Post-employment benefits (continued)

Fair value of pension assets	2023 £m	2022 £m
Cash and cash equivalents:		
With quoted prices in an active market	-	0.3
Without quoted prices in an active market	7.6	8.4
Equity investments:		
With quoted prices in an active market	47.9	480.0
Debt instruments:		
With quoted prices in an active market	345.5	888.6
Property:		
With quoted prices in an active market	14.7	24.3
Without quoted prices in an active market	290.8	298.1
Derivatives:		
Without quoted prices in an active market	1,252.3	1,463.2
Investment fund		
Annuity policies – with quoted prices in an active market	401.6	683.0
Annuity policies – without quoted prices in an active market	180.1	178.6
Assets held by insurance companies:		
Without quoted prices in an active market	505.5	717.9
Total	3,046.0	4,742.4

The actuarial losses recognised in the Statement of Comprehensive Income for the year to 31 March 2023 were £190.2m (2022: £450.0m gain).

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation at 31 March 2023 is 17.1 years (2022: 22.3 years).

Sensitivity analysis

Measurement of the Company's defined benefit retirement obligation is sensitive to changes in certain key assumptions. The sensitivity analysis below shows how a reasonably possible increase, or decrease, in a particular assumption would, in isolation, result in an increase, or decrease, in the present value of the defined benefit obligation, as at 31 March 2023.

	Rate of inflation		Discount rate		Life expectancy	
	Decrease by 0.5p.p. £m	Increase by 0.5 p.p. £m	Decrease by 0.5 p.p. £m	Increase by 0.5 p.p. £m	Decrease by 1 year £m	Increase by 1 year £m
(Decrease)/increase in present value of defined benefit obligation	(139.7)	168.1	250.4	(221.7)	(83.7)	82.9

21. Post-employment benefits (continued)

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

22. Contingent liabilities

In December 2018, the administrators of former UK indirect seller, Phones 4U, sued the three main UK mobile network operators ('MNOs'), including Vodafone, and their parent companies in the High Court of Justice. The administrators alleged collusion between the MNOs to pull their business from Phones 4U, thereby causing its collapse. The judge ordered that there should be a split trial between liability and damages. The first trial on liability took place from May to July 2022. On 10 November 2023, the High Court issued a judgment in Vodafone's favour and rejected Phones 4U's allegations that the defendants were in breach of competition law, confirming our previously stated position that a present obligation does not exist. It is not known whether Phones 4U will seek to appeal the judgment as of the date of this report.

The Company has a possible exposure amounting to £30m (2022: £36.1m) relating to certain bad debts. The Company is confident that it can provide sufficient information to defend its position where required, therefore no provision has been recorded in the financial statements.

A proposed class representative has issued a 'collective proceedings' claim in the Competition Appeal Tribunal, seeking a collective proceedings order against the four main UK mobile network operators ('MNOs') and their respective parent companies. Vodafone Group Plc and Vodafone Limited are named defendants and the alleged value of the claim against Vodafone is £1.4 billion including interest. It is alleged that Vodafone and the other MNOs used their alleged market dominance to overcharge their customers. The alleged overcharging is said to have arisen when customers continued to make combined payments for handsets and airtime services, beyond the expiry of the initial contractual term of their agreement. We have acknowledged the claim, notified the Competition Appeal Tribunal of our intention to oppose the claimant's application for a collective proceedings order and intend to vigorously defend it. We are currently in the process of assessing the merits of the claim but our initial assessment is that the claim is unfounded and that the claimant faces considerable procedural and legal issues; hence no provision has been recorded.

23. Related party disclosures

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

The Company has taken advantage of the exemption granted by paragraphs 8(j) and (k) of FRS 101 not to disclose transactions with wholly owned Vodafone Group companies.

24. Ultimate parent company

The immediate parent company of the Company is Vodafone International Operations Limited, a company registered in England and Wales. On 19 December 2022 Vodafone Mobile Network Limited sold its 100% investment in the Company's share capital to Vodafone International Operations Limited. The ultimate parent company and controlling entity of the Company, and the smallest and largest group which prepares consolidated financial statements and of which the Company forms a part, is Vodafone Group Plc, a company registered in England and Wales.

A copy of the financial statements of Vodafone Group Plc for the year ended 31 March 2023 may be obtained from its website www.vodafone.com or from the Company Secretary, Vodafone Group Plc, Vodafone House, The Connection, Newbury, Berkshire, RG14 2FN, United Kingdom.

25. Events after the reporting period

On 14 June 2023 Vodafone Group Plc and CK Hutchinson Group Telecom Holdings Limited ('CKHGT'), a wholly owned subsidiary of CK Hutchinson Holdings Limited, entered into binding agreements in relation to a combination of their UK telecommunication businesses, including the Company. Vodafone will own 51% of the combined business and CKHGT 49%. Completion is subject to regulatory and shareholder approvals. This represents a non-adjusting subsequent event and is therefore disclosed, but otherwise without impact on the financial results for the year ended 31 March 2023.