

**VODAFONE LIMITED**

**Company No: 01471587**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2024**

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**VODAFONE LIMITED**

**Company No: 01471587**

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## VODAFONE LIMITED

Company No: 01471587

### STRATEGIC REPORT

The directors present their Strategic Report for Vodafone Limited (the 'Company') for the year ended 31 March 2024.

#### **Review of the business and future developments**

Total revenue increased by 0.1% to £5.8 billion, as service revenue growth was offset by a decline in equipment revenue.

Reported service revenue grew by 4.9%, driven by annual price rises and higher roaming revenue, partially offset by the migration of the Virgin Media MVNO off our network. The annual decrease in equipment revenue was driven by fewer mobile device sales, partially offset by an increase in sales of broadband hardware.

In the second half of the year, we were recognised as a Consumer NPS co-leader in the market, and we are now the joint-lowest complained about mobile operator, as measured by Ofcom, reflecting the significant improvements and investment we have made to our customer experience over the last few years.

Through our partnerships with CityFibre and Openreach we can now reach 15.3 million households with full fibre broadband, more than any other provider in the UK. We are one of the fastest growing broadband providers in the UK.

Adjusted EBITDAaL increased by 2.3% with strong service revenue growth, partially offset by higher energy costs and the migration of the Virgin Media MVNO off our network. Our Adjusted EBITDAaL margin increased by 0.5 percentage points year-on-year to 20.3%.

Adjusted EBITDAaL is used in conjunction with financial measures such as operating profit/(loss) to assess our operating performance and profitability. Adjusted EBITDAaL is operating profit/(loss) after depreciation on lease related right-of-use assets and interest on lease liabilities 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 profit of £8.3m (2023: £16.5m loss) was made during the year, with the year-on-year improvement driven by Adjusted EBITDAaL growth, partially offset by an increase in other expenses.

Net finance income of £35.2m (2023: £15.7m) 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 £32.2m (2023: £2.3m), with the year-on-year movement primarily due to the increase in operating profit in the year.

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**STRATEGIC REPORT (continued)**

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

	<b>2024</b>	<b>2023</b>
	<b>£m</b>	<b>£m</b>
<b>Revenue</b>		
Service revenue	4,783.0	4,558.2
Other revenue	1,033.0	1,252.4
<b>Adjusted EBITDAaL</b>	<b>1,180.5</b>	<b>1,153.4</b>
Depreciation, amortisation and gains on disposal of owned assets <sup>1</sup>	(782.9)	(799.6)
Other expenses <sup>2</sup>	(389.3)	(370.3)
<b>Operating profit/(loss)</b>	<b>8.3</b>	<b>(16.5)</b>
Net finance income	35.2	15.7
Income tax	(32.2)	(2.3)
<b>Profit/(loss) for the financial year</b>	<b>11.3</b>	<b>(3.1)</b>

On 14 June 2023 Vodafone Group Plc and CK Hutchison Group Telecom Holdings Limited ('CKHGT'), a wholly owned subsidiary of CK Hutchison 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.

<sup>1</sup> Depreciation of right-of-use assets under IFRS 16 included within Adjusted EBITDAaL

<sup>2</sup> Restructuring costs, group recharges deemed non-operational and add back of interest on lease liabilities

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### STRATEGIC REPORT (continued)

#### Financial position and liquidity

The Statement of Financial Position on page 22 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 £74.8m (2023: £12.1m). During January 2024 and March 2024, the sale of handset receivables realised cash of £179m and £332m respectively.

For further details of amounts due from and payable to 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 Global Finance Director – Markets) and a Risk & Compliance Committee (which all members of the Company's General Management Team attend). 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, financial or legal & regulatory) 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.

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**STRATEGIC REPORT (continued)**

*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, with the potential that an increased number of vulnerable customers struggle to maintain their payments which could cause revenue loss and increased bad debt. Measures are in place to identify and support these customers. We also continue to monitor any potential risk to our supply chain, due to the unstable global environment.

**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 2024.

	<b>2024</b>	<b>2023</b>
Scope 1 GHG emissions (m tonnes CO2e)	0.01	0.01
Scope 2 market-based GHG emissions (m tonnes CO2e)	-	-
Scope 2 location-based GHG emissions (m tonnes CO2e)	0.13	0.14
GHG emissions per GBP million of revenue	1.17	1.72
Total energy consumption (GWh)	709	656

**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.

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### 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 2024 on its website [www.vodafone.com](http://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 Directors' Report under Employee Involvement and Commitment.

We continue to use regular employee Spirit Beat surveys as part of our employee engagement process and these provide 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 900 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 driving 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 collaborated with industry peers and suppliers through the Joint Alliance for Corporate Social Responsibility, and also continued the rollout of an environmentally-linked supply chain finance programme which suppliers to the UK can benefit from.

#### *Community & Environment:*

At Vodafone, our aim is to create a digital society that includes everyone and helps protect the planet. We believe superfast connectivity and technology is the key to unlocking the UK's potential. We are connecting people, businesses, and communities, so everyone can tap into the benefits of a digital society.

##### *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 6% of UK households who are offline, is at risk of widening further.

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### STRATEGIC REPORT (continued)

The Company is committed to helping 4 million people and businesses cross the digital divide by the end of 2025. To date, 2.5 million people and businesses have benefitted from our programme, delivering £174 million in social value.

We deliver our goal through three workstreams:

1. Donating connectivity and tech

We donate six months' free mobile connectivity to over 2,000 grassroots charities nationwide and through our partners the Trussell Trust and Good Things Foundation. Recognising the needs of SIM recipients in the context of broader social issues, such as the cost of living crisis, we increased the data allowance from 20GB to 40GB per month. We also call on the public and businesses to donate old devices which we restore and donate to young people through Barnardo's and Good Things Foundation.

2. Offering affordable tariffs and services

We launched social mobile and broadband tariffs for those receiving Government benefits and we provide support to users who finish their six-month free SIM to access 7GB data, unlimited calls and texts at a half-price tariff of £5 per month.

3. Working with partners to upskill businesses and communities

We work with the National Society for the Prevention of Cruelty to Children ('NSPCC') to help families and children stay safe online, including our TRUST toolkit and 'Your Child's First Phone' platform. We also offer Hi Digital for older people, business.connected for 570,000 small businesses, and sports.connected to help 200 community sports clubs.

Our commitment to the end of 2025 highlights our ambition to drive holistic change. We have built lasting partnerships with key charities: NSPCC, the Trussell Trust, Good Things Foundation, Barnardo's and Independent Age. They have the expertise, network, and capability to reach the most vulnerable members of society and have co-created these programmes to ensure they are successful.

Our most recent partnership with NSPCC further embeds online safety into our programmes. The partnership resonates strongly with our employees and helps us work cross-functionally to launch new initiatives like 'Your Child's First Phone' platform. This supported parents, promoted online safety and increased our customers' awareness of refurbished devices, which are an example of our commitment to supporting the circular economy and giving customers the option to make sustainable choices.

We continue to support those affected by the cost of living crisis, offering affordable tariffs to support those on certain benefits including Essentials Broadband, VOXI For Now and a mobile tariff targeted at our everyone.connected users.

The directors are committed to achieving our four million goal and will continue to work with existing and new partners to reach digitally excluded people who need it most, however 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 2020, Vodafone set a series of ambitious objectives and established carbon reduction targets by 2030 which were approved by the Science Based Targets initiative ('SBTi') in line with reductions required to keep warming to 1.5°C. In the UK, we expedited this target to be achieved by 2027. Vodafone is committed to achieving net zero status across its complete carbon footprint on a global scale by 2040.

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### STRATEGIC REPORT (continued)

To achieve these ambitious targets our Board recognises the urgent need to take action to address the global climate crisis. The Company has been powered by 100% renewable electricity since July 2021, and we have already cut carbon emissions from our operations by 93% (scope 1 and 2 market-based emissions vs 2019/20 baseline). This is being delivered through a major rationalisation and efficiency programme, moving to electric vehicles, and powering our business and network with renewables.

In the year ended 31 March 2024, the Company:

- Invested in rationalisation efforts to eliminate legacy networks while innovating infrastructure as part of the journey towards cloud-based technology. This has reduced our energy usage by 167 million kilowatt-hours (kWh) since the year ended 31 March 2016. Additionally, we are transitioning to highly energy-efficient servers within our technology centres, which also enables us to increase space operating temperatures to drive further energy savings.
- Invested in installing and deploying additional on-site renewable electricity generation to expand our sustainable energy sources. We have also secured long-term Power Purchase Agreements ('PPAs'), totalling 216 GWh, which offer high-quality, long-term supply of energy and price certainty from new, UK-based renewable sources.
- Installed 650-kilowatt peak (kWp) of rooftop solar panels across three mobile telephone exchanges which should generate 550,000 kWh of renewable electricity a year, supplying around 12% of the sites' annual energy requirement.
- Continued our transition to an electric fleet and our commitment to sustainable employee commuting by only offering electric vehicles via our company car scheme.

#### *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. For example, Vodafone has implemented its market-leading IoT technology to help measure and mitigate the impact of rising water temperatures and changing rainfall patterns on Atlantic salmon in Scotland. The project is part of the restoration of the River Nith, and its tributaries, to help ensure the preservation of Atlantic salmon and it will initially run for one year.

#### *Circular economy*

We offer our UK customers a wide range of refurbished devices. In addition, our Vodafone EVO plans come with the Lifetime Service Promise where customers receive lifetime warranty against manufacturer faults, accompanied by complimentary Battery Refresh services as required. In the year ended 31 March 2024 we saw an 84% increase in sales of Vodafone UK refurbished devices.

Furthermore, our introduction of the Great British Tech Appeal for business customers has empowered businesses to contribute to social value by donating phones through the Good Things Foundation; 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.

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**STRATEGIC REPORT (continued)**

Governments and regulators

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

The Strategic Report was approved by the Board on 24 September 2024 and signed on its behalf by:

DocuSigned by:  
  
.....0D2D96758551422...  
Max Taylor  
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 2024.

#### 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 2024, the Company reported a profit for the financial year of £11.3m (2023: £3.1m loss). The Income Statement set out on page 20 of the financial statements summarises the trading, interest and tax components of the profit/loss. No interim dividend was paid (2023: £nil) and no final dividend is proposed (2023: £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

Max Taylor

Nicholas Gliddon

Ahmed Essameldin Ahmed Aboushelbaya (resigned 9 April 2024)

#### 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.

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### REPORT OF THE DIRECTORS (continued)

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 2024, 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. The directors have considered that the proposed merger of Vodafone UK (which includes the Company) and the entities constituting CK Hutchison's telecommunications operations in the UK (collectively referred to as "Three UK") ("the Merger") is expected to complete in the period prior to 30 September 2025 ("the going concern period").

In forming their view on the going concern of the Company, the directors have considered two scenarios, one, where completion of the Merger does not occur within the going concern period, and both Vodafone UK and Three UK continue to operate on a standalone basis ("Standalone Scenario"), and two, where the Merger completes in the going concern period ("Merger Scenario").

#### ***Standalone Scenario***

In the Standalone Scenario, the directors have considered the financial performance and position of the Company and have assessed the monthly cash flow forecasts through to 30 September 2025. The directors have considered the result of a reverse stress test to ascertain the potential likelihood of headroom being reduced to nil and concluded that the going concern basis is appropriate.

As of 31 March 2024, the directors also noted that the Company had £2,777m cash held in a call deposit account as part of the Vodafone Group Plc cash pooling arrangement. Under the terms of the arrangement, the Company has control of this deposit and can withdraw funds as required. The directors have reviewed the financial performance and position of Vodafone Group Plc and concluded there is sufficient cash and liquidity to support the cash pooling arrangement as needed.

Vodafone Group Plc has confirmed its continued support to the Company to refinance and not request repayment of £2,370m of intercompany liabilities repayable on demand, to the extent that financing is not otherwise available, as and when they fall due for a period expiring upon the earlier of: (i) completion of the Merger; and (ii) 30 September 2025.

Based on the above factors, the directors have a reasonable expectation that the Company in the Standalone Scenario will have adequate resources to continue in business as going concern.

#### ***Merger Scenario***

The directors believe that there is a strong strategic and commercial rationale that underpins the Merger. The Merger is expected to be beneficial for both the combined business of Vodafone UK and Three UK ("MergeCo"), their customers, the UK and competition. MergeCo will generate non network synergies which will fund network investment that in turn provides customers with more coverage, more speed and less congestion than standalone capabilities. The Merger creates a third operator with scale, levelling the competitive playing field, increasing competition with the UK's two leading converged operators, whilst providing greater choice in wholesale partners for the UK's MVNOs (Mobile Virtual Network Operators).

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### REPORT OF THE DIRECTORS (continued)

In assessing whether the Company will continue to be a going concern in the Merger Scenario, the directors have specifically considered the following factors:

- The Merger is expected to complete in 2025 and a completion date of 31 March 2025 has been assumed (“estimated completion date”).
- The impact of changes in working capital, injection of shareholder debt and available cash and cash equivalents of MergeCo upon completion, including but not limited to, the settlement of the call deposit account and intercompany balances.
- The shareholder debt is not due for repayment for at least three years from the estimated completion date, and there are no financial covenants that would trigger immediate repayment.
- The available equity funding facility which is contractually available to MergeCo from the shareholders following completion.
- The available additional debt facility which is contractually available to MergeCo from the shareholders after MergeCo has exhausted all other possible financing options. This facility is not repayable during the going concern period.
- The ability of both the shareholders to provide the committed equity funding and additional debt funding considering the solvency and liquidity position based on the publicly available information for both shareholders.
- The Base Case cash flow forecast of MergeCo for the six-month period from the estimated completion date to 30 September 2025 as well as any significant events and conditions impacting cash flow immediately after the going concern period.
- The impact of a severe, but plausible “Downside” case on MergeCo’s available liquidity and the results of a Reverse Stress Test as detailed below in (b) and (c) respectively.

#### (a) Base Case

- The Base Case combined the standalone cash flow forecasts of Vodafone UK and Three UK, adjusted for MergeCo’s forecast debt servicing payment. It also considered the expected effects of the Merger, including synergies, integration costs and other relevant adjustments, as determined through the joint business planning process.
- MergeCo will make use of the committed equity funding in the Shareholders’ Agreement during the going concern period and this has been factored into the available liquidity assessment.
- The Base Case Scenario demonstrates sufficient liquidity throughout, and immediately after, the going concern period, without the need for mitigating actions or additional shareholder funds beyond the committed equity funding.

#### (b) Downside Case

- The directors adjusted the Base Case forecast to reflect potential liquidity impacts of a severe, but plausible downside case.
- In order to determine the extent of sensitivities applied to the Base Case cash flow forecast, the directors considered MergeCo’s business model, the principal risks and uncertainties it might face, and its financing structure. The following downside risks have been assumed, and the impact of these risks crystallising simultaneously has been modelled:
  - Reduction in growth in the customer base in the six-month period following the estimated completion date;
  - Delayed realisation of synergies and other forecast cash inflows;
  - Increase in operating expenses, integration costs, and interest costs on debt; and
  - Other working capital and cash sensitivities impacting the timing of key cash inflows during the going concern period.

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### REPORT OF THE DIRECTORS (continued)

- Should the above downside risks crystallise simultaneously or any unforeseen circumstances arise that are not already considered; the headroom in the cash flow forecast may not be sufficient in certain months and may result in MergeCo requiring additional funding on top of the available equity funding facility. In such a scenario, both shareholders have committed to provide the necessary funds to MergeCo to ensure it can operate as going concern through the availability of additional debt facility after MergeCo has exhausted all other possible financing options.
- The Downside Case scenario demonstrates sufficient liquidity throughout, and immediately after the going concern period, without additional shareholder funds beyond the committed equity and debt facilities.

#### (c) Reverse Stress Test

- The directors have also modelled a reverse stress test scenario, analysing the decline in customers that MergeCo could withstand before breaching the Base Case headroom (including additional funding but without factoring any additional mitigating actions). This scenario is considered remote, as it would require a net reduction of c.26.63% compared to the Base Case MergeCo's revenue and associated direct costs for the six-month period from the estimated completion date until the end of the going concern period. Given the historical growth trend in the customer bases of Vodafone UK and Three UK, and the synergies expected to arise from the Merger, the directors do not find such a reduction in revenue plausible within the going concern period.

The directors have assessed the cash flow projection covering a period of not less than twelve months from the approval of the financial statements and taken into account the considerations outlined in both the Standalone and Merger scenario detailed above. They are of the opinion that the Company will have access to sufficient liquidity to finance its operations and to meet its financial obligations as and when they fall due in the period to 30 September 2025. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis.

#### 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.

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### REPORT OF THE DIRECTORS (continued)

#### People with disabilities

Applications for employment by people with disabilities are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff having a new disability, 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 colleague with disabilities 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.

#### 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.

**VODAFONE LIMITED**

**Company No: 01471587**

**REPORT OF THE DIRECTORS (continued)**

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.

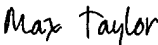
**Indemnification of directors**

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 24 September 2024 and signed on its behalf by:

DocuSigned by:  
  
.....0D2D96758551422.....

Max Taylor  
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 2024 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 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard 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 standalone and merger scenario assessment, 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 30 September 2025 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 joint business 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 for standalone and merger scenario 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;

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF VODAFONE LIMITED**

- 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 for standalone and customer base for merger scenario required has no more than a remote possibility of occurring;
- performing independent sensitivity analysis on management's assumptions including applying incremental adverse cashflow sensitivities; and
- assessing the ability of the shareholders of Vodafone UK and Three UK to provide the committed equity funding and additional debt funding as per the merger agreement during the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 30 September 2025.

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VODAFONE LIMITED**

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on pages 14 and 15, 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;

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VODAFONE LIMITED

- 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  
24 September 2024

**VODAFONE LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2024**

	Note	2024 £m	2023 £m
Revenue	2	5,816.0	5,810.6
Cost of sales		<u>(3,919.5)</u>	<u>(4,029.8)</u>
Gross profit		1,896.5	1,780.8
Selling and distribution expenses		(497.9)	(482.3)
Administrative expenses		(1,248.4)	(1,133.5)
Net credit losses on financial assets		<u>(141.9)</u>	<u>(181.5)</u>
Operating profit/(loss)	3	8.3	(16.5)
Net finance income	6	<u>35.2</u>	<u>15.7</u>
Profit/(loss) on ordinary activities before taxation		43.5	(0.8)
Income tax on ordinary activities	7	<u>(32.2)</u>	<u>(2.3)</u>
Profit/(loss) for the financial year		<u><u>11.3</u></u>	<u><u>(3.1)</u></u>

The results above are derived from continuing operations.

The accompanying notes on pages 24 to 62 are an integral part of these financial statements.

**VODAFONE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2024**

	Note	2024	2023
		£m	£m
Profit/(loss) for the financial year		11.3	(3.1)
Other comprehensive income/(expense):			
<i>Items that may be reclassified to profit or loss</i>			
Fair value movements on assets at fair value through other comprehensive income, net of tax		2.7	(23.7)
Cash flow hedging reserve, net of tax		(5.0)	(5.0)
		<u>(2.3)</u>	<u>(28.7)</u>
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial losses in the value of defined benefit retirement plans	21	(88.4)	(190.2)
Tax attributable to actuarial losses		22.1	52.4
		<u>(66.3)</u>	<u>(137.8)</u>
Other comprehensive expense		(68.6)	(166.5)
Total comprehensive expense for the financial year		<u>(57.3)</u>	<u>(169.6)</u>

The accompanying notes on pages 24 to 62 are an integral part of these financial statements.

**VODAFONE LIMITED**  
Company No: 01471587

**STATEMENT OF FINANCIAL POSITION**

**AT 31 MARCH 2024**

	Note	2024 £m	2023 £m
<b>Non-current assets</b>			
Intangible assets	8	1,723.2	1,798.5
Property, plant and equipment	9	3,856.9	3,760.4
Investments	10	25.1	25.1
Deferred tax asset	16	1,682.9	1,751.0
Post-employment benefits	21	135.5	214.2
		7,423.6	7,549.2
<b>Current assets</b>			
Inventories	11	128.0	153.0
Trade and other receivables: amounts falling due within one year	12	4,160.3	4,174.5
Trade and other receivables: amounts falling due after more than one year	12	462.6	489.5
Cash and cash equivalents		74.8	12.1
		4,825.7	4,829.1
Creditors: amounts falling due within one year	13	(4,550.3)	(4,579.2)
<b>NET CURRENT ASSETS</b>		275.4	249.9
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,699.0	7,799.1
Creditors: amounts falling due after more than one year	14	(1,268.1)	(1,343.4)
Provisions for liabilities	15	(186.2)	(163.0)
Post-employment benefits	21	(6.5)	(6.5)
<b>NET ASSETS</b>		6,238.2	6,286.2
<b>EQUITY</b>			
Called up share capital	17	-	-
Share premium account		9,227.0	9,227.0
Retained earnings		(2,988.8)	(2,940.8)
<b>TOTAL SHAREHOLDERS' FUNDS</b>		6,238.2	6,286.2

The financial statements on pages 20 to 62 were approved and authorised for issue by the directors on 24 September 2024 and were signed on its behalf by:

DocuSigned by:  
  
 0D2D96736351422...  
 Max Taylor  
 Director

**VODAFONE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2024**

	Note	Called up share capital £m	Share premium account £m	Retained earnings £m	Total Shareholders' funds £m
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		-	-	5.4	5.4
Balance at 1 April 2023		-	9,227.0	(2,940.8)	6,286.2
Profit for the year		-	-	11.3	11.3
Other comprehensive expense		-	-	(68.6)	(68.6)
Total comprehensive expense for the year		-	-	(57.3)	(57.3)
Net share-based payments	20	-	-	9.3	9.3
Balance at 31 March 2024		-	9,227.0	(2,988.8)	6,238.2

**VODAFONE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**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.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### **Going concern**

The directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis. The directors have considered that the proposed merger of Vodafone UK (which includes the Company) and the entities constituting CK Hutchison's telecommunications operations in the UK (collectively referred to as "Three UK") ("the Merger") is expected to complete in the period prior to 30 September 2025 ("the going concern period").

In forming their view on the going concern of the Company, the directors have considered two scenarios, one, where completion of the Merger does not occur within the going concern period, and both Vodafone UK and Three UK continue to operate on a standalone basis ("Standalone Scenario"), and two, where the Merger completes in the going concern period ("Merger Scenario").

##### ***Standalone Scenario***

In the Standalone Scenario, the directors have considered the financial performance and position of the Company and have assessed the monthly cash flow forecasts through to 30 September 2025. The directors have considered the result of a reverse stress test to ascertain the potential likelihood of headroom being reduced to nil and concluded that the going concern basis is appropriate.

As of 31 March 2024, the directors also noted that the Company had £2,777m cash held in a call deposit account as part of the Vodafone Group Plc cash pooling arrangement. Under the terms of the arrangement, the Company has control of this deposit and can withdraw funds as required. The directors have reviewed the financial performance and position of Vodafone Group Plc and concluded there is sufficient cash and liquidity to support the cash pooling arrangement as needed.

Vodafone Group Plc has confirmed its continued support to the Company to refinance and not request repayment of £2,370m of intercompany liabilities repayable on demand, to the extent that financing is not otherwise available, as and when they fall due for a period expiring upon the earlier of: (i) completion of the Merger; and (ii) 30 September 2025.

Based on the above factors, the directors have a reasonable expectation that the Company in the Standalone Scenario will have adequate resources to continue in business as going concern.

##### ***Merger Scenario***

The directors believe that there is a strong strategic and commercial rationale that underpins the Merger. The Merger is expected to be beneficial for both the combined business of Vodafone UK and Three UK ("MergeCo"), their customers, the UK and competition. MergeCo will generate non network synergies which will fund network investment that in turn provides customers with more coverage, more speed and less congestion than standalone capabilities. The Merger creates a third operator with scale, levelling the competitive playing field, increasing competition with the UK's two leading converged operators, whilst providing greater choice in wholesale partners for the UK's MVNOs (Mobile Virtual Network Operators).

In assessing whether the Company will continue to be a going concern in the Merger Scenario, the directors have specifically considered the following factors:

- The Merger is expected to complete in 2025 and a completion date of 31 March 2025 has been assumed ("estimated completion date").
- The impact of changes in working capital, injection of shareholder debt and available cash and cash equivalents of MergeCo upon completion, including but not limited to, the settlement of the call deposit account and intercompany balances.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

- The shareholder debt is not due for repayment for at least three years from the estimated completion date, and there are no financial covenants that would trigger immediate repayment.
- The available equity funding facility which is contractually available to MergeCo from the shareholders following completion.
- The available additional debt facility which is contractually available to MergeCo from the shareholders after MergeCo has exhausted all other possible financing options. This facility is not repayable during the going concern period.
- The ability of both the shareholders to provide the committed equity funding and additional debt funding considering the solvency and liquidity position based on the publicly available information for both shareholders.
- The Base Case cash flow forecast of MergeCo for the six-month period from the estimated completion date to 30 September 2025 as well as any significant events and conditions impacting cash flow immediately after the going concern period.
- The impact of a severe, but plausible "Downside" case on MergeCo's available liquidity and the results of a Reverse Stress Test as detailed below in (b) and (c) respectively.

#### (a) Base Case

- The Base Case combined the standalone cash flow forecasts of Vodafone UK and Three UK, adjusted for MergeCo's forecast debt servicing payment. It also considered the expected effects of the Merger, including synergies, integration costs and other relevant adjustments, as determined through the joint business planning process.
- MergeCo will make use of the committed equity funding in the Shareholders' Agreement during the going concern period and this has been factored into the available liquidity assessment.
- The Base Case Scenario demonstrates sufficient liquidity throughout, and immediately after, the going concern period, without the need for mitigating actions or additional shareholder funds beyond the committed equity funding.

#### (b) Downside Case

- The directors adjusted the Base Case forecast to reflect potential liquidity impacts of a severe, but plausible downside case.
- In order to determine the extent of sensitivities applied to the Base Case cash flow forecast, the directors considered MergeCo's business model, the principal risks and uncertainties it might face, and its financing structure. The following downside risks have been assumed, and the impact of these risks crystallising simultaneously has been modelled:
  - Reduction in growth in the customer base in the six-month period following the estimated completion date;
  - Delayed realisation of synergies and other forecast cash inflows;
  - Increase in operating expenses, integration costs, and interest costs on debt; and
  - Other working capital and cash sensitivities impacting the timing of key cash inflows during the going concern period.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

- Should the above downside risks crystallise simultaneously or any unforeseen circumstances arise that are not already considered; the headroom in the cash flow forecast may not be sufficient in certain months and may result in MergeCo requiring additional funding on top of the available equity funding facility. In such a scenario, both shareholders have committed to provide the necessary funds to MergeCo to ensure it can operate as going concern through the availability of additional debt facility after MergeCo has exhausted all other possible financing options.
- The Downside Case scenario demonstrates sufficient liquidity throughout, and immediately after the going concern period, without additional shareholder funds beyond the committed equity and debt facilities.

#### (c) Reverse Stress Test

- The directors have also modelled a reverse stress test scenario, analysing the decline in customers that MergeCo could withstand before breaching the Base Case headroom (including additional funding but without factoring any additional mitigating actions). This scenario is considered remote, as it would require a net reduction of c.26.63% compared to the Base Case MergeCo's revenue and associated direct costs for the six-month period from the estimated completion date until the end of the going concern period. Given the historical growth trend in the customer bases of Vodafone UK and Three UK, and the synergies expected to arise from the Merger, the directors do not find such a reduction in revenue plausible within the going concern period.

The directors have assessed the cash flow projection covering a period of not less than twelve months from the approval of the financial statements and taken into account the considerations outlined in both the Standalone and Merger scenario detailed above. They are of the opinion that the Company will have access to sufficient liquidity to finance its operations and to meet its financial obligations as and when they fall due in the period to 30 September 2025. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements of the Company on a going concern basis.

#### 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. The Company's digital services and Internet of Things ('IoT') customer offers typically include separate obligations for communication services, as well as equipment and software or software as a service ('SaaS'). 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. Activities relating to connecting customers to the Company's network for the future provision of services are not considered to meet the criteria to be recognised as obligations except to the extent that the control of related equipment passes to customers.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

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 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.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### **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 licence fees*

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

##### *Computer software*

Computer software comprises software purchased from third parties as well as the cost of internally developed software. Computer software licences are capitalised based on the costs incurred to acquire and bring the specific software into use. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and are probable of producing future economic benefits, are recognised as intangible assets. Direct costs of software development include employee costs and directly attributable overheads.

Software integral to an item of hardware equipment is classified as property, plant and equipment. Costs associated with maintaining computer software programs are classified as an expense when they are incurred.

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

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**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.

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

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.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### 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 remeasurement in the lease liability as a result of these changes also results in a corresponding adjustment to the recorded right-of-use asset.

Lease modifications that increase the scope of a lease by adding the right to use one or more underlying assets in return for consideration commensurate with the standalone price for the additional lease components are treated as separate leases. If a lease modification decreases the scope of a lease, the Company remeasures both the right-of-use asset and the lease liability and recognises any gain or loss in profit or loss. Other lease modifications result in a remeasurement of the lease liability with an adjustment to the right-of-use asset. Remeasured lease liabilities are discounted at the modification date using a current discount rate.

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

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

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

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### **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.

##### **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.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### **Derivative financial instruments and hedge accounting**

The Company's activities expose it to changes in foreign exchange rates which it manages using derivative financial instruments such as forward foreign exchange contracts and foreign exchange swaps. Hedges are in the form of cash flow hedges: hedges of highly probably forecast transactions of foreign currency. The use of financial derivatives is governed by Vodafone Group Plc's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives consistent with Vodafone Group Plc's risk management strategy.

Changes in value of all derivative financial instruments are included within the Income Statement unless designated in an effective cash flow hedge relationship when changes in value are deferred to other comprehensive income. The Company does not use derivative financial instruments for speculative purposes.

These derivative financial instruments are initially measured at fair value on the contract date and subsequently remeasured 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 to ensure that an economic relationship exists between the hedged item and the hedging instrument.

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 surplus 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.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### *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**

Trade and other receivables, other than contract assets and net investment in leases, are recognised initially at fair value. Trade receivables represent amounts due from customers where the right to receive payment is conditional only on the passage of time.

Trade receivables that are held with the objective of collecting the contractual cash flows are subsequently measured at amortised cost using the effective interest method. Trade receivables that are recovered in instalments from customers over an extended period are initially discounted at market rates and interest revenue is accreted over the expected repayment period. Other trade receivables do not carry any interest and are stated at their nominal value.

The Company sells portfolios of receivables related to handset sales from time to time. These portfolios are essentially held for both collecting contractual cash flows and sale and are therefore recorded at fair value through other comprehensive income. At inception, the fair value of these receivables is expected to be equal to their discounted present value. Subsequently, as the discount is accrued on these receivables on a monthly basis, their carrying value is generally considered equal to their fair value. However, when there is a change in risk free rate (considered in determining the discount rate on initial recognition), the change in discounted value is recorded in the statement of comprehensive income as a change in the fair value.

When a sale of a receivable occurs, the receivable is derecognised when substantially all the risks and rewards associated with the receivable are transferred to the buyer. Upon derecognition, the receivables are remeasured at fair value prior to sale and the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss. Fees and other charges levied by the buyer are included within 'Net credit losses on financial assets' in the Income Statement.

The carrying value of trade and other receivables is presented net of allowances for lifetime expected credit losses. Expected future credit losses are first recorded on the initial recognition of a receivable and are based on historical experience and forward-looking considerations. Individual balances are written off when management deems them uncollectible.

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

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

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

##### **Provisions**

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

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

#### **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 2025 are addressed below.

#### ***Judgements***

##### **(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.

##### **(b) 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.

**VODAFONE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**Critical accounting judgements and estimates (continued)**

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.

*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 non-cancellable term and:

- Between 5 and 10 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;
- The period to the next contractual lease break date for retail premises (excluding breaks within the next 12 months);
- The lease term, or useful economic life, of the assets connected for leases that are used to provide internal connectivity;
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line or other services to individual customers; and
- 5 years where the Company has leases for the use of space on towers for the placement of network infrastructure.

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.

**VODAFONE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**Critical accounting judgements and estimates (continued)**

***Estimates***

**(a) Taxation**

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 Company against which to utilise the assets in the future.

The UK Vodafone Corporate Tax Group assesses the availability of future taxable profits using the same undiscounted five-year forecasts for the UK Vodafone Corporate Tax 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 estimates which underpin the Group's forecasts could have an impact on the amount of future taxable profits and a significant impact on the period over which the deferred tax asset would be recovered. The UK Vodafone 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.

**(b) 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'.

In addition, plan assets are recognised at fair value at the reporting date in accordance with IFRS 'Fair Value Measurement'. Where assets do not have observable prices, estimation is necessary to determine fair values. In estimating fair value, market-observable data is used to the extent it is available.

**(c) 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 profit or loss.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

### 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.

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

	2024	2023
	£m	£m
Service revenue	4,783.0	4,558.2
Hardware revenue	962.3	1,172.8
Revenue from contracts with customers	5,745.3	5,731.0
Other revenue	70.7	79.6
Total revenue	5,816.0	5,810.6

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 2024 is £3,998m (2023: £3,693m), of which £2,125m (2023: £2,083m) is expected to be recognised within the next year and the majority of the remaining amount in the subsequent 24 months.

### 3. Operating profit/(loss)

The operating profit of £8.3m (2023: £16.5m loss) is stated after charging/(crediting):

	2024	2023
	£m	£m
Credit losses on trade receivables	90.1	95.7
Credit losses on contract assets	51.8	85.8
Depreciation of property, plant and equipment (note 9):		
Owned assets	475.6	509.9
Leased assets	705.6	668.7
Fees payable to the Company's auditor:		
Audit of the Company's financial statements	1.5	1.4
Profit on disposal of fixed assets	(14.1)	(9.2)
Amortisation of licence fees (note 8)	81.4	94.9
Amortisation of computer software (note 8)	238.2	194.8
Reorganisation expense/(credit) – restructuring	8.6	(14.1)
Net foreign exchange loss	-	1.3

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

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

**VODAFONE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**4. Employees**

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

	2024 Number	2023 Number
Selling and distribution	2,530	2,002
Administration	6,894	7,111
	<u>9,424</u>	<u>9,113</u>

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

	2024 £m	2023 £m
Wages and salaries	525.3	477.3
Social security costs	63.0	61.1
Other pension costs	72.1	65.7
Cost of employee share schemes	16.4	13.9
	<u>676.8</u>	<u>618.0</u>

## VODAFONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2024

## 5. Directors' remuneration

	2024	20223
	£'000	£'000
Emoluments	4,491.6	3,140.8
Company payments to defined contribution pension schemes	40.0	12.7
	<u>4,531.6</u>	<u>3,153.5</u>

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

	2024	2023
	Number	Number
Number of directors in the year who:		
Are members of a defined contribution pension scheme:	4	4

	2024	2023
	£'000	£'000
Highest paid director's remuneration	<u>2,024.0</u>	<u>1,580.6</u>

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

## 6. Net finance income

	2024	2023
	£m	£m
Interest receivable and similar income:		
Vodafone Group companies	117.0	44.5
Interest on investment in leases	6.0	3.6
	<u>123.0</u>	<u>48.1</u>
Interest payable and similar charges:		
Vodafone Group companies	(31.0)	(6.4)
Interest on lease liabilities	(62.6)	(33.3)
Other interest and charges	(4.2)	(3.2)
	<u>(97.8)</u>	<u>(42.9)</u>
Net interest income on defined benefit pension scheme	<u>10.0</u>	<u>10.5</u>
	<u>35.2</u>	<u>15.7</u>



**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**7. Income tax on ordinary activities**

	2024	2023
	£m	£m
UK Corporation Tax credit at 25% (2023: 19%)	4.5	17.3
Adjustments in respect of prior years	55.6	(83.5)
Total current taxation credit/(charge)	<u>60.1</u>	<u>(66.2)</u>
Deferred taxation charge - current year	(30.9)	(24.3)
Deferred taxation (charge)/credit - prior year	(61.4)	72.9
Deferred taxation credit - impact of change in tax rate	-	15.3
Total deferred taxation (charge)/credit	<u>(92.3)</u>	<u>63.9</u>
Total income tax charge	<u>(32.2)</u>	<u>(2.3)</u>
	2024	2023
	£m	£m
Tax included in other comprehensive income		
Current tax	(1.0)	-
Origination and reversal of temporary differences	24.2	39.8
Impact of change in tax rate	-	12.6
Total tax credit included in other comprehensive income	<u>23.2</u>	<u>52.4</u>

The elements of deferred taxation are shown in note 16.

The tax rate for the current year is 25%. 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% (2023: 25%) has been used to calculate the closing deferred tax asset/(liability).

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**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 25% (2023: 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:

	2024	2023
	£m	£m
Profit/(loss) before taxation	43.5	(0.8)
Tax (charge)/credit on profit/(loss) before income tax at standard rate of 25% (2023: 19%)	(10.9)	0.2
Factors affecting tax charge/(credit) for the year:		
Adjustments in respect of prior years	(5.8)	(10.6)
Permanent differences	(15.5)	(7.2)
Remeasurement of deferred tax – change in UK tax rate	-	15.3
Income tax charge for the year	(32.2)	(2.3)



**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**8. Intangible assets**

	Goodwill	Licence fees	Computer software	Total
	£m	£m	£m	£m
<b>Cost</b>				
At 1 April 2023	309.6	7,485.7	2,093.5	9,888.8
Additions	-	-	238.7	238.7
Transfers	-	-	5.6	5.6
Disposals	-	-	(1.6)	(1.6)
At 31 March 2024	<u>309.6</u>	<u>7,485.7</u>	<u>2,336.2</u>	<u>10,131.5</u>
<b>Accumulated amortisation</b>				
At 1 April 2023	-	6,558.6	1,531.7	8,090.3
Charge for the year	-	81.4	238.2	319.6
Transfers	-	-	-	-
Disposals	-	-	(1.6)	(1.6)
At 31 March 2024	<u>-</u>	<u>6,640.0</u>	<u>1,768.3</u>	<u>8,408.3</u>
<b>Net book value</b>				
At 31 March 2024	<u>309.6</u>	<u>845.7</u>	<u>567.9</u>	<u>1,723.2</u>
At 31 March 2023	<u>309.6</u>	<u>927.1</u>	<u>561.8</u>	<u>1,798.5</u>

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**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 2024. 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 2024. 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 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	2.5%
Pre-tax discount rate	9.1%

The estimated recoverable amount exceeds the carrying value by £0.4 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 2024.

<b>Recoverable amount = carrying value</b>	<b>Basis points</b>
5 year adjusted EBITDAaL CAGR	(1.8)%
Long-term growth rate	(0.4)%
Pre-tax discount rate	0.4%

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 2024

## 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 2023	152.3	163.5	277.1	9,545.0	253.9	10,391.8
Additions	-	1.0	7.1	403.3	125.4	536.8
Transfers	-	2.1	19.0	179.0	(206.3)	(6.2)
Disposals	(0.4)	(8.2)	(7.1)	(87.9)	-	(103.6)
At 31 March 2024	151.9	158.4	296.1	10,039.4	173.0	10,818.8
Accumulated depreciation						
At 1 April 2023	128.9	154.1	200.6	7,676.4	-	8,160.0
Charge for the year	0.5	4.4	23.0	447.7	-	475.6
Transfers	-	-	-	-	-	-
Disposals	(0.2)	(8.3)	(1.0)	(81.0)	-	(90.5)
At 31 March 2024	129.2	150.2	222.6	8,043.1	-	8,545.1
Net book value						
At 31 March 2024	22.7	8.2	73.5	1,996.3	173.0	2,273.7
At 31 March 2023	23.4	9.4	76.5	1,868.6	253.9	2,231.8

Included in property, plant and equipment is freehold land with a cost of £9.5m (2023: £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)	22.7	8.2	73.5	1,996.3	173.0	2,273.7
Right-of-use assets	906.5	12.2	-	664.5	-	1,583.2
At 31 March 2024	929.2	20.4	73.5	2,660.8	173.0	3,856.9

Additions of £829.1m and a depreciation charge of £170.4m, £6.0m, and £529.2m 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 2024.

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**10. Investments**

	£m
At 1 April 2023 and at 31 March 2024	<u>25.1</u>

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

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

Shareholdings in Talkmobile Limited and Digital Mobile Spectrum Limited are investments in ordinary shares of companies registered in England and Wales. During the reporting period, the Company was the sole member of Vodafone UK Foundation, a charitable incorporated organisation (CIO) which was dissolved after the reporting period.

Talkmobile Limited has, and the Vodafone UK Foundation had, 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**

	2024	2023
	£m	£m
Finished goods held for resale	<u>128.0</u>	<u>153.0</u>

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 £862.9m (2023: £960.6m). Inventories are stated after provisions for impairment of £10.4m (2023: £14.1m).

## VODAFONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2024

## 12. Trade and other receivables

	2024	2023
	£m	£m
<i>Trade and other receivables: amounts falling due within one year</i>		
Trade receivables	412.9	417.4
Trade receivable held at fair value through other comprehensive income	110.2	134.4
Net investment in leases	39.7	42.7
Amounts owed by Group undertakings	2,803.4	2,779.6
Group relief receivable	3.5	17.3
Other receivables	57.3	30.1
Contract assets	379.3	365.4
Contract related costs	209.3	215.4
Prepayments	144.7	172.2
	<u>4,160.3</u>	<u>4,174.5</u>
<i>Trade and other receivables: amounts falling due after more than one year</i>		
Trade receivable held at fair value through other comprehensive income	82.9	99.7
Net investment in leases	139.1	147.4
Other receivables	49.9	36.8
Contract assets	75.5	87.9
Contract related costs	72.0	76.9
Prepayments	43.2	40.8
	<u>462.6</u>	<u>489.5</u>
	<u><u>4,622.9</u></u>	<u><u>4,664.0</u></u>

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 £224.9m (2023: £188.9m). Contract assets are stated after expected future credit losses of £6.7m (2023: £7.8m).

The Company's contract related costs comprise £278.9m (2023: £287.5m) relating to costs incurred to obtain customers contracts and £2.4m (2023: £4.8m) relating to costs incurred to fulfil customer contracts. An amortisation expense of £280.0m (2023: £264.8m) was recognised in the operating profit during the year.

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**13. Creditors: amounts falling due within one year**

	2024	2023
	£m	£m
Trade payables	513.6	713.1
Amounts owed to Group undertakings	2,370.4	2,472.6
Lease liabilities	522.5	514.8
Other taxation and social security costs	286.7	215.7
Other payables	70.6	69.3
Other loans	-	2.0
Accruals	569.2	367.6
Contract liabilities	217.3	224.1
	<u>4,550.3</u>	<u>4,579.2</u>

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

Materially, all of the £224.1m recorded as current contract liabilities at 1 April 2023 was recognised as revenue during the year.

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

	2024	2023
	£m	£m
Other payables	0.3	0.4
Lease liabilities	1,163.2	1,221.4
Contract liabilities	26.6	36.8
Other taxes and social security costs	78.0	84.8
	<u>1,268.1</u>	<u>1,343.4</u>

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

	2024	2023
	£m	£m
Between 2 and 5 years	1,096.2	1,142.0
More than 5 years	171.9	201.4
	<u>1,268.1</u>	<u>1,343.4</u>

**VODAFONE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**15. Provisions for liabilities**

	Asset retirement obligations	Other	Total
	£m	£m	£m
At 1 April 2023	149.0	14.0	163.0
Amount charged to the Income Statement	-	20.4	20.4
Additions	34.4	-	34.4
Released in the year	(17.7)	(1.4)	(19.1)
Utilised in the year	(7.8)	(10.7)	(18.5)
Discount unwind	6.0	-	6.0
At 31 March 2024	163.9	22.3	186.2

The maturity of provisions is as follows:

Amounts falling due within one year	5.0	11.9	16.9
Amounts falling due after more than one year	158.9	10.4	169.3
	163.9	22.3	186.2

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.

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**16. Deferred taxation**

	2024 £m	2023 £m
The elements of deferred taxation which have been recognised as assets and liabilities in the Statement of Financial Position are as follows:		
Fixed asset temporary differences	1,639.9	1,738.3
Share-based payments	3.1	3.0
Other timing differences	72.8	62.6
Total deferred tax asset	<u>1,715.8</u>	<u>1,803.9</u>
Pension liability	(32.2)	(51.7)
Other timing differences	(0.7)	(1.2)
Total deferred tax liabilities	<u>(32.9)</u>	<u>(52.9)</u>
Net deferred tax asset	<u><u>1,682.9</u></u>	<u><u>1,751.0</u></u>

Deferred tax assets and liabilities have not been discounted.

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

	2024 £m	2023 £m
Net deferred tax asset at the beginning of year	1,751.0	1,634.7
Amount (charged)/credited to the Income Statement	(92.3)	63.9
Amount credited to other comprehensive income	24.2	52.4
Net deferred tax asset at the end of year	<u><u>1,682.9</u></u>	<u><u>1,751.0</u></u>

**VODAFONE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**16. Deferred taxation (continued)****Reconciliation of the deferred tax asset as at 31 March 2024**

	Fixed asset temporary differences	Share-based payment	Pension asset	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2023	1,738.3	3.0	-	62.6	1,803.9
Credited/(charged) to the Income Statement	(98.4)	0.1	-	8.1	(90.2)
Credited directly to other comprehensive income	-	-	-	2.1	2.1
At 31 March 2024	1,639.9	3.1	-	72.8	1,715.8

**Reconciliation of deferred tax liability as at 31 March 2024**

	Fixed asset temporary differences	Share-based payment	Pension liability	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2023	-	-	(51.7)	(1.2)	(52.9)
Credited/(charged) to the Income Statement	-	-	(2.6)	0.5	(2.1)
Credited directly to other comprehensive income	-	-	22.1	-	22.1
At 31 March 2024	-	-	(32.2)	(0.7)	(32.9)

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, 82% of the 2024 deferred tax asset is forecast to be used within the next 10 years, 96% is forecast to be used within the next 20 years, and 99% will be recovered over the next 30 years.

Changes in the assumptions which underpin the UK Vodafone Corporate Tax Group's forecasts could have an impact on the amount of future taxable profits and 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 25%. 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% (2023: 25%) has been used to calculate the above deferred tax asset/(liability).

VODAFONE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2024

**17. Called up share capital**

	2024	2023
	£	£
Allotted, issued and fully paid:		
4,543 (2023: 4,543) ordinary shares of £1 each	4,543	4,543
	<u>4,543</u>	<u>4,543</u>

**18. Capital and other commitments**

	2024	2023
	£m	£m
Contracts for future capital expenditure not provided in the financial statements	107.6	115.9
	<u>107.6</u>	<u>115.9</u>

**19. Leases**

**The Company's leasing activities**

**As a lessee**

The Company leases buildings for its retail stores, offices and data centres, network sites and space and accommodation for network infrastructure. 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.

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**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:

	2024	2023
	£m	£m
Within one year	619.2	565.8
In more than one year but less than two years	416.7	375.1
In more than two years but less than three years	273.9	251.1
In more than three years but less than four years	251.9	231.5
In more than four years but less than five years	180.7	224.6
In more than five years	255.7	258.0
	<u>1,998.1</u>	<u>1,906.1</u>
Effect of discounting	(312.4)	(169.9)
<b>Lease liability</b>	<u><u>1,685.7</u></u>	<u><u>1,736.2</u></u>

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**19. Leases (continued)**

At 31 March 2024 the Company had entered into lease commitments with undiscounted payment obligations totaling £6.9m (2023: £16.5m) that had not yet commenced.

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

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

**As a lessor**

The Company has a wide range of lessor activities with consumer and enterprise customers, other telecommunication companies and other companies. With consumer and enterprise customers, the Company generates lease income from the provision of handsets, routers and other communications equipment. The Company 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:

	2024	2023
	£m	£m
Lease revenue (note 2)	30.3	35.1
Income from leases not recognised as revenue	<u>7.4</u>	<u>6.9</u>

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

	2024	2023
	£m	£m
Within one year	46.9	47.0
In more than one year but less than two years	43.5	40.7
In more than two years but less than three years	39.0	35.6
In more than three years but less than four years	36.6	31.8
In more than four years but less than five years	26.8	29.8
In more than five years	<u>13.5</u>	<u>9.8</u>
	206.3	194.7
Effect of discounting	<u>(27.5)</u>	<u>(4.6)</u>
<b>Net investment in leases</b>	<u><u>178.8</u></u>	<u><u>190.1</u></u>

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

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

#### 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 at a discount of up to 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 £66.9m (2023: £59.8m). At 31 March 2024 there were no amounts accrued, but not paid, in respect of pension schemes (2023: £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.

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### 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 £4m in the year ending 31 March 2025.

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:

	2024	2023
	£m	£m
Current service cost	0.4	0.7
Past service credit	-	-
Interest income	(10.0)	(10.5)
Administration expense	4.8	5.1
Total net credit	<u>(4.8)</u>	<u>(4.7)</u>

## VODAFONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2024

## 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 2024 by qualified independent actuaries, ISIO Group. Plan liabilities are measured using the projected unit credit method; the principal actuarial assumptions are set out below:

	2024 Assumption %	2023 Assumption %
RPI Inflation	3.18	3.18
Pension increases	2.98	2.90
Discount rate	4.80	4.68

The assumptions regarding mortality in retirement for the Vodafone UK plan as at 31 March 2024 use the S3PXA Light tables with scheme specific adjustments, subject to improvements in line with the CMI 2022 projections and a longer term trend rate 1.25% 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 2024	Retiring in 25 yrs
Male	22.5 yrs	23.5 yrs
Female	24.2 yrs	25.4 yrs

	2024 £m	2023 £m
Total market value of assets	2,928.1	3,046.0
Present value of scheme liabilities	(2,799.1)	(2,838.3)
Net surplus/(deficit) over funded obligations	129.0	207.7

Represented by:

Schemes with excess of assets over obligations	135.5	214.2
Schemes with excess of obligations over assets	(6.5)	(6.5)

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.

## VODAFONE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

## FOR THE YEAR ENDED 31 MARCH 2024

## 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 2023	3,046.0	(2,838.3)	207.7
Service cost	-	(0.4)	(0.4)
Past service cost	-	-	-
Interest income/(cost)	140.4	(130.4)	10.0
Return on plan assets excluding interest income	(160.2)	-	(160.2)
Actuarial gains arising from changes in financial assumptions	-	24.6	24.6
Actuarial gains arising from changes in demographic assumptions	-	54.5	54.5
Actuarial losses arising from experience adjustments	-	(7.3)	(7.3)
Employer contributions	4.9	-	4.9
Employee contributions	0.1	(0.1)	-
Benefits paid	(98.3)	98.3	-
Expenses paid	(4.8)	-	(4.8)
31 March 2024	<u>2,928.1</u>	<u>(2,799.1)</u>	<u>129.0</u>

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 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	<u>3,046.0</u>	<u>(2,838.3)</u>	<u>207.7</u>

**VODAFONE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 MARCH 2024**

**21. Post-employment benefits (continued)**

<b>Fair value of pension assets</b>	2024	2023
	£m	£m
Cash and cash equivalents	10.0	7.6
Equity investments:		
With quoted prices in an active market	109.8	47.9
Debt instruments:		
With quoted prices in an active market	577.4	345.5
Property:		
With quoted prices in an active market	13.5	14.7
Without quoted prices in an active market	202.9	290.8
Derivatives:		
Without quoted prices in an active market	1,091.4	1,252.3
Investment fund		
Annuity policies – with quoted prices in an active market	398.7	401.6
Annuity policies – without quoted prices in an active market	34.2	180.1
Assets held by insurance companies:		
Without quoted prices in an active market	490.2	505.5
<b>Total</b>	<u>2,928.1</u>	<u>3,046.0</u>

The actuarial losses recognised in the Statement of Comprehensive Income for the year to 31 March 2024 were £88.4m (2023: £190.2m).

**Duration of the benefit obligations**

The weighted average duration of the defined benefit obligation at 31 March 2024 is 16.2 years (2023: 17.1 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 2024.

	Rate of inflation		Discount rate		Life expectancy	
	Decrease by 0.5p.p. £m	Increase by 0.5 p.p. £m	Decrease by 0.5 p.p. £m	Increase by 0.5 p.p. £m	Decrease by 1 year £m	Increase by 1 year £m
(Decrease)/increase in present value of defined benefit obligation	<u>(146.4)</u>	<u>156.2</u>	<u>228.5</u>	<u>(202.8)</u>	<u>(76.2)</u>	<u>75.8</u>

## VODAFONE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### FOR THE YEAR ENDED 31 MARCH 2024

##### 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 three of the UK mobile network operators ('MNOs'), including Vodafone Limited, and their parent companies in the English High Court. The administrators alleged collusion between the MNOs to withdraw their business from Phones 4U, thereby causing its collapse. The judge ordered that there should be a split trial between 1) liability and 2) causation 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 Limited and Vodafone Group Plc's favour and rejected Phones 4U's allegations that the defendants were in breach of competition law, consistent with Vodafone Limited and Vodafone Group Plc's previously stated position that a present obligation does not exist. Phones 4U has been granted permission to appeal the judgment from the Court of Appeal. The appeal hearing will be in May 2025. Vodafone Limited and Vodafone Group Plc intend to vigorously defend the appeal and are not able to estimate any possible loss in the event of an adverse judgment on appeal.

In November 2023, Mr Gutmann issued claims in the Competition Appeal Tribunal seeking permission, as a proposed class representative, to bring collective proceedings against the four UK MNOs and their respective parent companies. Vodafone Group Plc and Vodafone Limited are named defendants to one of the claims with an alleged value of £1.4 billion, including interest. It is alleged that Vodafone Limited, Vodafone Group Plc and the other MNOs used their alleged market dominance to overcharge their customers after the expiry of the minimum terms of certain mobile contracts (referred to as a 'loyalty penalty'). Taking into account all available evidence at this stage, Vodafone Limited and Vodafone Group Plc's assessment is that the allegations are without merit and Vodafone Limited and Vodafone Group Plc intend to defend the claim. Vodafone Limited and Vodafone Group Plc are currently unable to estimate any possible loss in regards to this issue but, while the outcome is uncertain, Vodafone Limited and Vodafone Group Plc believe it is probable that no present obligation exists.

The Company has a possible exposure amounting to £23m (2023: £30m) 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.

##### 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.

**VODAFONE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2024**

**24. Ultimate parent company**

The immediate parent company of the Company at 31 March 2024 was Vodafone International Operations Limited, a company registered in England and Wales. On 2 September 2024, Vodafone International Operations Limited sold its 100% investment in the Company's share capital to Vodafone UK Trading Holdings 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 2024 may be obtained from its website [www.vodafone.com](http://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**

In June 2024, the Company and Virgin Media O2 agreed to extend and enhance their existing network sharing agreement for more than a decade. Many elements of the agreement expand on the existing arrangement and are independent of the Vodafone UK and Three UK merger outcome. However, subject to completion of the merger, the operators have agreed that Virgin Media O2 will acquire spectrum from the newly combined business, establishing three scaled mobile network operators.

The extension of the network sharing agreement triggered the Company to reassess the end dates of certain network infrastructure agreements which are accounted for as leases, resulting in the recognition of significant further lease liabilities and related right-of-use assets.

In respect of the proposed merger between Vodafone UK and Three UK, the Competition and Markets Authority ('CMA') issued provisional findings and a notice of possible remedies on 13 September 2024. This is not a final decision, and the current statutory deadline for the CMA to issue its final report is 7 December 2024. Vodafone Group Plc and CK Hutchison will continue to work with the CMA to secure approval. As of the date of approval of the financial statements, no adjustments are required for the possible remedies outlined in the notice.