

**VODAFONE LIMITED**

**Company No: 01471587**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**



**VODAFONE LIMITED**

**Company No: 01471587**

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## VODAFONE LIMITED

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### STRATEGIC REPORT

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

#### Review of the business and future developments

The overall strategy of Vodafone Limited (the 'Company') is aligned to that of Vodafone Group Plc ('the Group'), which is outlined in the Group Strategic Review in the Group's Annual Report for the year ended 31 March 2020; it does not form part of this report.

Key financial performance indicators for the Company include service revenue, operating result, adjusted EBITDA and average revenue per user ('ARPU'). Other non-financial key performance indicators include customer numbers and contract churn. Further details are available in the Group Annual Report and associated press release.

Service revenue increased 0.7%, supported by Fixed and Mobile customer base growth which was partially offset by lower wholesale revenue and a 0.4 percentage point drag from international call rate regulation.

Mobile service revenue increased 0.4% and grew further when excluding the impact of international call rate regulation, with a higher customer base and price increases (including RPI-linked) being partially offset by lower out-of-bundle revenue as a result of spend capping. We added 385,000 contract customers in the year, supported by our new range of commercial plans including speed-tiered 'Vodafone Unlimited' mobile data propositions and our 5G launch in July. We also added 475,000 prepaid customers, supported by our digital sub-brand VOXI.

Fixed service revenue increased by 1.7%. Continued good customer growth in Consumer broadband, supported by the launch of our 'Vodafone Together' convergent plans, and growth in Business was partially offset by lower wholesale revenues. We added 176,000 broadband customers in the year.

Adjusted EBITDA increased by 15.7% and the adjusted EBITDA margin increased to 23.1%. This improvement was driven by service revenue growth, a reduction in operating expenses and a 2.0 percentage point benefit to growth from: one-off license fee settlements and a reallocation of costs from capex to cost of sales following our new cloud partnership with IBM.

An operating loss of £351.5m (2019: £676.8m loss) was incurred during the year.

	2020 £m	2019 £m
<b>Revenue</b>		
Service revenue	4,371.7	4,339.7
Other revenue	1,285.9	1,173.2
<b>Adjusted EBITDA</b>	<b>1,304.7</b>	<b>1,127.7</b>
Depreciation and amortisation <sup>1</sup>	(1,206.2)	(1,253.0)
<b>Adjusted operating profit/(loss)</b>	<b>98.5</b>	<b>(125.3)</b>
Other expenses <sup>2</sup>	(450.0)	(551.5)
<b>Operating loss</b>	<b>(351.5)</b>	<b>(676.8)</b>
Net financing costs	(23.5)	(2.7)
Income tax	148.8	92.3
<b>Loss for the financial year</b>	<b>(226.2)</b>	<b>(587.2)</b>

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

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

## VODAFONE LIMITED

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### STRATEGIC REPORT (continued)

#### Financial position and liquidity

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

The major source of liquidity for the Company comes from the cash generated from trading activities. The Group treasury function provides a centralised treasury service to the Company, including managing its liquidity risk, market risk (interest rate management and foreign exchange management) and credit risk and follows a framework of policies and guidelines authorised and reviewed annually by the Group's management.

The Company closed the year with cash of £24.3m (2019: £32.5m), including its share of amounts held in its joint operation (Cornerstone Telecommunications Infrastructure Limited) of £15.8m (2019: £11.0m). Excess funds are loaned to the Group under cash sweep arrangements. During September 2019 and March 2020 the sale of handset receivables realised cash of £75m and £535m, respectively.

For further details of current and long term amounts payable to and due from the parent Company and fellow subsidiary undertakings, see notes 12, 13 and 14 of the financial statements.

#### Principal risks and uncertainties

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

The Principal Risks and uncertainties for the Company and mitigating factors are as follows:

*a) Risk: Failure to protect customer information*

We host a significant quantity of varying types of customer data in both our Business and Consumer segments. Hardware and software applications include security features which are reviewed by our technology and corporate security functions to ensure compliance with our policies, security standards and UK GDPR requirements.

*b) Risk: Malicious Cyber Threat*

We recognise the continuing threat of malicious data loss or outages as a consequence of cyber-crime. This is mitigated by continuous monitoring of our IT infrastructure to identify threats and potential areas of weaknesses.

*c) Geo-Political Trade Wars Impacting Supply Chain*

We operate and develop complex infrastructure in the UK. Our networks and systems are dependent on a wide range of suppliers internationally. As a result of Geopolitical pressures and subsequent UK Government action, the Company is required to replace Huawei manufactured network equipment by 2027 and must not purchase new equipment from January 2021. Although this creates financial and 5G deployment disruption, the 2027 timeframe can be achieved through a natural lifecycle management program.

*d) Risk: Significant Outage to our Network or IT Systems*

Major failure or malicious attack on our network or IT systems may result in service interruption and consequential customer and revenue loss. Specific back-up and resilience requirements are built into our networks combined with regularly tested business continuity and disaster recovery plans.

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### **STRATEGIC REPORT (continued)**

#### **Covid-19:**

At the start of the Covid-19 crisis we outlined our rapid, comprehensive and co-ordinated five-point plan to support society and help save lives. Our priorities were to maintain the quality of our networks, support essential services, and keep people working, communicating, and able to access education and essential information. Through our essential network infrastructure, we have kept people and communities connected. We have supported those affected by the crisis through direct contributions and services in-kind.

We led the way in keeping our employees and customers safe by moving more than 95% of staff to work from home, including call centre and retail staff. We closed all of our retail stores on 23rd March 2020 in line with UK government guidelines after keeping stores open as long as we could to help our customers that had a strong preference to deal with us in person.

We supported critical national infrastructure by connecting all Nightingale Hospitals, creating a virtual contact centre for over 1,000 retired health workers, GPs and clinicians to support NHS 111 and Covid-19 services, increased urgently-needed bandwidth for NHS hospitals and mobilised many thousands of employees to work from home for our Business customers.

We supported our customers and key workers by offering free unlimited data to NHS staff, care workers and vulnerable customers, free access to NHS 111 online services to all of our customers and payment plans for customers in financial difficulty as a result of Covid-19.

As lockdown measures were eased by the UK government, we reopened our retail stores in a phased approach ensuring both employee and customer safety remained our #1 priority.

As we look at the challenging economic period ahead, just as we were there for the emergency response phase, we are committed to playing a key role in supporting the UK's economic and social recovery. As a result, we have evolved our five-point plan and identified five key areas where we can clearly prioritise activity and support the government's digital agenda. These are:

- Expand and future-proof our network infrastructure with next-generation fixed line and mobile technologies
- Further support government as they seek to integrate e-Health and e-Education solutions into their "new normal" public service frameworks
- Enhance digital access for the most vulnerable and support digital literacy
- Promote the widespread adoption of digital technologies for all businesses, with a particular emphasis on SMEs
- Support government exit strategies through targeted deployment of digital technology.

The Company has demonstrated its resilience and ability to operate at speed to meet the changing needs of our customers and of the UK during the Covid-19 crisis. The table on the next page outlines the primary impacts to the Company resulting from the crisis and the measures taken to mitigate them.

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## STRATEGIC REPORT (continued)

Matter to consider	Impact / Risk	Mitigation	Conclusion
Revenue	<ul style="list-style-type: none"> <li>• Travel restrictions in the UK and many parts of the world have resulted in reduced roaming and visitor revenues</li> <li>• UK store closures reduce the opportunity to acquire new and upgrade existing customers</li> <li>• Businesses close during lockdown impacting on-site fixed project revenues</li> </ul>	<ul style="list-style-type: none"> <li>• Mobilised all contact centre and retail staff to work from home. Utilising existing digital journeys allowing existing customers to upgrade and new customers to join</li> <li>• Adapting stores to safely reopen and manage sales process under new social distancing guidelines</li> <li>• Accelerated project work for customers where possible</li> <li>• Brought to market new products and services to meet changing needs of customers due to Covid-19</li> </ul>	<ul style="list-style-type: none"> <li>• Significant increase in digital sales during lockdown period</li> <li>• Recorded lowest ever churn rates in Mobile and Fixed in the 6 months to June '20</li> <li>• Adapted quickly to Business customer demands to allow workforces to work from home</li> <li>• Reduction in roaming and visitor revenues partially mitigated by a reduction in associated costs</li> <li>• Impacts are incorporated in forward-looking forecasts</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>• Financing becomes more expensive and unavailable in the current climate</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity forecast produced as part of the regular near-term and long-term forecasting process with review and approval of senior leadership. This included revision of the budget for FY21 and Long Range Plan</li> </ul>	<ul style="list-style-type: none"> <li>• No liquidity concerns</li> </ul>
Collections	<ul style="list-style-type: none"> <li>• Increased bad debt as more customers unable to pay their bills, due to furlough / unemployment</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of payment plans for customers finding it difficult to pay their bills</li> <li>• Appropriate provisions in place and regularly reviewed</li> </ul>	<ul style="list-style-type: none"> <li>• Customers on payment plans are monitored and remain within forecast levels</li> <li>• Impacts are incorporated in forward-looking forecasts</li> </ul>
Cost control / Capital allocation	<ul style="list-style-type: none"> <li>• Spend is not reviewed following Covid-19 outbreak</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated ongoing spend management programme already in place and reviewed following Covid-19, ongoing monthly review</li> <li>• Capital plans reviewed and adjusted accordingly</li> </ul>	<ul style="list-style-type: none"> <li>• Robust cost control and capital management measures in place</li> <li>• Impacts are incorporated into forward-looking forecasts</li> </ul>

# VODAFONE LIMITED

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## STRATEGIC REPORT (continued)

Matter to consider	Impact / Risk	Mitigation	Conclusion
Forecasting	<ul style="list-style-type: none"> <li>Forecasts do not consider impacts of Covid-19</li> </ul>	<ul style="list-style-type: none"> <li>Established, regular near term and long term forecasting process in place with review and approval of senior leadership. This included revision of budget for period ending 31<sup>st</sup> March 2021 and Long Range Plans</li> <li>Performance against forecasts are actively monitored and forecasts are updated where necessary</li> </ul>	<ul style="list-style-type: none"> <li>Forecasts are reflective of current market conditions including Covid-19 impacts</li> </ul>
Network Resilience	<ul style="list-style-type: none"> <li>Network unable to withstand increased voice / data traffic resulting in reduction in service quality / loss of service</li> </ul>	<ul style="list-style-type: none"> <li>Network performance actively monitored and managed during Covid-19 outbreak with robust planning procedures in place to highlight anticipated increased demands</li> <li>Additional network capacity made available to cope with increased network demand</li> </ul>	<ul style="list-style-type: none"> <li>Increased network demands planned for and met with no loss of service to customers</li> </ul>

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

In accordance with SECR requirements, the below table provides a summary of GHG emissions and energy data for the Company during the year ending 31 March 2020.

	2020
GHG emissions (Scope 1 and 2) (m tonnes CO <sub>2</sub> e)	0.09
GHG emissions per petabyte ('PB') of mobile data carried (tonnes of CO <sub>2</sub> e)	120
Total energy consumption (GWh)	709

## VODAFONE LIMITED

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### STRATEGIC REPORT (continued)

#### 172(1) Statement

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

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

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

#### *Stakeholder engagement*

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

All board meeting papers relating to a principal decision are required to state whether, and to what extent, any key stakeholder group has an interest in the matter. Adequate time is provided in board meetings for the directors to consider and discuss the interests of stakeholders and request clarification or further information from management.

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

#### *People:*

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

In response to Covid-19 changing the way we work, we quickly introduced a pulse survey which regularly seeks the views of our employees. It was encouraging to see strong levels of engagement and positive themes highlighted. These themes were communicated back to employees and fed into updates on our Covid-19 response.

#### *Suppliers:*

The Company is part of the wider Vodafone Group, and operates under a global supply chain management function. Nick Read the Group CEO held a meeting with key suppliers in California to talk about challenges to the industry, to develop an improved understanding of their views and to identify future commercial opportunities. He reported his findings to the Group Board, highlighting that our suppliers are aligned with us on their future aspirations to invest in robust 5G technology and to develop enterprise and mobile edge computing.



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### **STRATEGIC REPORT (continued)**

#### *Community & Environment:*

The Company's board of directors has consistently championed and engaged in furthering our impact in the community through our company purpose activity, to connect a better future. This means we're creating a digital society which is sustainable and leaves no one behind. The community impact is demonstrated through our award winning tech for good programmes and by developing and rolling out technologies that have transformed lives (DreamLab, No Isolation, Mencap, Bright Sky & TecSOS). Additionally, we have provided invaluable resources to parents and schools through our Digital Parenting resources.

In our response to our environmental impact, our board has committed to halving our footprint by 2025. We have committed to reduce Greenhouse Gas emissions by 50%, move to 100% renewable electricity and achieve zero e-waste to landfill all by 2025.

The Strategic Report was approved by the by the Board on 15 February 2021 and signed on its behalf by:



E Tournon  
Director

## **VODAFONE LIMITED**

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### **REPORT OF THE DIRECTORS**

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

#### **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 2020, the Company reported a loss for the financial year of £226.2m (2019: £587.2m). The Income Statement set out on page 17 of the financial statements summarises the trading, interest and tax components of the loss. No interim dividend was paid (2019: £nil) and no final dividend is proposed (2019: £nil).

#### **Future developments**

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

#### **Directors**

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

N Jeffery  
H Lamprell  
E Tournon

#### **Registered office and company domicile**

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

The Company is a private limited company, is incorporated in England and Wales, and domiciled in the United Kingdom (Company number 01471587).

#### **Financial risk management**

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

There has been no significant change during the financial year to the types of financial risks faced by the Company, or the Company's approach to the management of those risks.

Further details of the Group's policies can be found in the annual report and financial statements of the Group, the ultimate parent undertaking, for the year ended 31 March 2020, which does not form part of this report.

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### **REPORT OF THE DIRECTORS (continued)**

#### **Going concern**

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

The directors have reviewed the financial performance and position of the Company and have assessed the monthly cashflow forecasts through to March 2022. They considered a range of possible downside scenarios including the impact of COVID-19, and concluded that these would have no significant impact on the going concern conclusion.

The directors noted that the Company's £1,657.3m cash is held in a call deposit account as part of the Vodafone Group plc cash pooling arrangement. Per the terms of the arrangement, the directors have control of this deposit and draw down upon this balance when needed.

The directors also noted the £2,736.7m current intercompany liabilities which are repayable on demand. The directors have received a letter of support from Group, which offers refinancing in the event that these liabilities are called upon. As such, the directors do not expect a net cash outflow as a result of these in the going concern period.

Having considered the overall financial position of the Group, as set out in its Interim Financial Statements for the 6 months ended 30 September 2020, the directors are satisfied that the Group has sufficient liquidity for the Company to continue to access the cash balance held in its call deposit account and the ability of the group to provide any refinancing needed.

On the basis of their assessment, the directors of the Company expect that the Company will be able to continue in operational existence for the for the period up to and including March 2022, and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Employee involvement and commitment**

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

To ensure consistent and meaningful engagement, the Directors engage regularly and directly with employees via Listen Live, a regular virtual interactive session run by our CEO and General Management Team, via an internal social media platform. We provide regular updates on the UK strategic priorities, 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

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### **REPORT OF THE DIRECTORS (continued)**

based employees of other companies within the Group, the ECC also operates as an information and consultation forum for those employees.

In the last couple of weeks of our financial year the country entered the Covid-19 lockdown, which resulted in the vast majority of our employees working from home. During this time it has been all the more important to ensure that everyone feels connected, engaged and valued. We have achieved this through frequent Company wide and business area specific updates, presentations and meetings and by making use of our online social forums to host things like quizzes, virtual 'tea breaks' and activities which employees and their families can all engage in.

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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when policy decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the range of channels outlined above.

#### **Disabled persons**

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

#### **Corporate governance arrangements**

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

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

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

## **VODAFONE LIMITED**

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### **REPORT OF THE DIRECTORS (continued)**

#### **Statement of directors' responsibilities**

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

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

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

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

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

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

#### **Indemnification of directors**

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

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**REPORT OF THE DIRECTORS (continued)**

**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 15 February 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'H Lamprell', written over a horizontal line.

H Lamprell  
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 2020 which comprise the Income Statement, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 26, 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:**

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

**Conclusions relating to going concern**

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

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

## **INDEPENDENT AUDITOR'S REPORT**

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

#### **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.

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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

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

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



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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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 Auditors  
London

16 February 2021

**VODAFONE LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £m	2019 £m
Revenue	2	5,657.6	5,512.9
Cost of sales		(4,045.5)	(4,222.2)
Gross profit		1,612.1	1,290.7
Selling and distribution costs		(578.1)	(637.8)
Administrative expenses		(1,284.2)	(1,255.0)
Net credit losses on financial assets		(101.3)	(74.7)
Operating loss	3	(351.5)	(676.8)
Net finance expense	6	(23.5)	(2.7)
Loss on ordinary activities before taxation		(375.0)	(679.5)
Income tax on ordinary activities	7	148.8	92.3
Loss for the financial year		(226.2)	(587.2)

The results above are derived from continuing operations.

The accompanying notes on pages 21 to 65 are an integral part of these financial statements.

**VODAFONE LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £m	2019 £m
Loss for the financial year		(226.2)	(587.2)
Other comprehensive income/(expense):			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains/(losses) in the value of defined benefit retirement plans	21	569.7	(31.7)
Cash flow hedging reserve		6.7	(0.1)
Tax attributable to actuarial gains/(losses)	7	(106.5)	5.2
Other comprehensive income/(expense)		<u>469.9</u>	<u>(26.6)</u>
Total comprehensive income/(loss) for the financial year		<u>243.7</u>	<u>(613.8)</u>

The accompanying notes on pages 21 to 65 are an integral part of these financial statements.

**VODAFONE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

**AS AT 31 MARCH 2020**

Company No: 01471587

	Note	2020 £m	2019 £m
Non-current assets			
Intangible assets	8	2,368.4	2,794.1
Property, plant and equipment	9	3,965.3	3,040.7
Investments	10	25.1	25.1
Deferred tax asset	16	1,124.2	1,014.3
Post-employment benefits - asset	21	489.2	81.4
		<u>7,972.2</u>	<u>6,955.6</u>
Current assets			
Inventories	11	116.4	160.9
Trade and other receivables	12	3,582.2	3,400.8
Cash and cash equivalents		24.3	32.5
		<u>3,722.9</u>	<u>3,594.2</u>
Creditors: amounts falling due within one year	13	(4,605.2)	(4,215.1)
NET CURRENT LIABILITIES		<u>(882.3)</u>	<u>(620.9)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,089.9</u>	<u>6,334.7</u>
Creditors: amounts falling due after more than one year	14	(743.3)	(21.6)
Provisions for liabilities	15	(217.1)	(286.0)
Post-employment benefits - liability	21	(19.2)	(178.7)
NET ASSETS		<u>6,110.3</u>	<u>5,848.4</u>
EQUITY			
Called up share capital	17	-	-
Share premium account		9,168.2	9,168.2
Retained earnings		(3,057.9)	(3,319.8)
TOTAL SHAREHOLDERS' FUNDS		<u>6,110.3</u>	<u>5,848.4</u>

The financial statements on pages 17 to 65 were approved and authorised for issue by the directors on 15 February 2021 and were signed on its behalf by:



E Tournon  
Director