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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CK HUTCHISON HOLDINGS LIMITED

Introduction

We report on the historical financial information of certain UK businesses and operations of Vodafone Group Plc (the "**Vodafone UK Business**") set out on pages II-3 to II-63, which comprises the combined statement of financial position as at 31 March 2022, 2023 and 2024, and the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for each of the years ended 31 March 2022, 2023 and 2024 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-3 to II-63 forms an integral part of this report, which has been prepared for inclusion in the circular of CK Hutchison Holdings Limited (the "**Company**") dated 24 September 2024 (the "**Circular**") in connection with the major transactions in relation to the transactions and steps contemplated under a contribution agreement, including the joint venture establishment, the grant and the possible exercise of the options including the possible acquisition and disposal of Vodafone securities, as applicable under a shareholders' agreement.

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "**Directors**") are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The underlying financial statements of the Vodafone UK Business, which comprise the combined statement of financial position as at 31 March 2022, 2023 and 2024, and the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the Track Record Period and the notes to these combined financial statements (together, the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the directors of Vodafone Limited. The directors of Vodafone Limited are responsible for the preparation of the Underlying Financial Statements in accordance with the basis of preparation and presentation set out therein which conforms with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), and for such internal control as the directors of Vodafone Limited determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

PricewaterhouseCoopers LLP, 3 Forbury Place, 23 Forbury Road, Reading, Berkshire, RG1 3JH
T: +44 (0) 118 959 7111, F: +44 (0) 1189 383 020, www.pwc.co.uk

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the combined financial position of the Vodafone UK Business as at 31 March 2022, 2023 and 2024 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as were considered necessary.

Yours faithfully

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Reading
24 September 2024

HISTORICAL FINANCIAL INFORMATION OF THE VODAFONE UK BUSINESS

HISTORICAL FINANCIAL INFORMATION

Set out below is the historical financial information of the Vodafone UK Business as at and for the years ended 31 March 2022, 2023 and 2024 (the "Historical Financial Information"), which forms an integral part of this accountants' report.

The underlying financial statements of the Vodafone UK Business, which comprise the combined statement of financial position as at 31 March 2022, 2023 and 2024, and the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the years ended 31 march 2022, 2023 and 2024 and the notes to these combined financial statements (the "Underlying Financial Statements"), on which the Historical Financial Information is based, were audited by Ernst & Young LLP in accordance with International Standards on Auditing (UK) issued by the Financial Reporting Council in the UK ("ISAs (UK)"). ISAs (UK) are based on the International Standards on Auditing ("ISAs") of the same titles that have been issued by the International Auditing and Assurance Standards Board, published by the International Federation of Accountants.

The Historical Financial Information is presented in millions of pound sterling (£m), unless otherwise stated.

COMBINED INCOME STATEMENT

		Year ended 31 March		
	Note	**2022**	**2023**	**2024**
		£m	*£m*	*£m*
Revenue	*7*	5,573.3	5,829.2	5,861.2
Cost of inventories sold	*8*	(11.2)	(13.6)	(14.9)
Staff costs	*9*	(472.7)	(518.2)	(560.2)
Expensed customer acquisition and retention costs		(1,270.5)	(1,345.4)	(1,188.4)
Depreciation and amortisation	*8*	(1,476.1)	(1,650.0)	(1,531.0)
Other expenses and losses	*8*	(2,207.2)	(6,324.2)	(2,283.5)
Other income and gains	*8*	1,707.0	–	154.5
		1,842.6	(4,022.2)	437.7
Finance income	*10*	5.8	47.9	122.9
Interest expenses and other finance costs	*10*	(34.5)	(42.5)	(97.8)
Profit (loss) before tax		1,813.9	(4,016.8)	462.8
Current tax credit (charge)	*11*	(12.5)	59.6	(2.7)
Deferred tax credit (charge)	*11*	(215.8)	948.2	(125.9)
Profit (loss) after tax		1,585.6	(3,009.0)	334.2

HISTORICAL FINANCIAL INFORMATION OF THE VODAFONE UK BUSINESS

COMBINED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March		
	Note	**2022**	**2023**	**2024**
		£m	*£m*	*£m*
Profit (loss) after tax		1,585.6	(3,009.0)	334.2
Other comprehensive income (loss)				
Items that will not be reclassified to profit or loss				
Defined benefit pension schemes:				
Actuarial gains (losses)	*27*	461.9	(202.1)	(85.6)
Related income tax credit (charge)		(106.6)	49.7	22.1
		355.3	(152.4)	(63.5)
Items that may be reclassified to profit or loss				
Trade receivables held at fair value through other comprehensive income ("FVOCI"):				
Net gains (losses)	*26*	8.4	(3.3)	4.9
Related income tax credit (charge)	*26*	(2.1)	0.7	(1.2)
Cash flow hedges:				
Net gains (losses)	*26*	9.7	(5.2)	(8.4)
Related income tax credit (charge)		(1.9)	1.3	2.1
		14.1	(6.5)	(2.6)
Other comprehensive income (loss)		369.4	(158.9)	(66.1)
Total comprehensive income (loss)		1,955.0	(3,167.9)	268.1

HISTORICAL FINANCIAL INFORMATION OF THE VODAFONE UK BUSINESS

COMBINED STATEMENT OF FINANCIAL POSITION

		As at 31 March		
	Note	**2022**	**2023**	**2024**
		£m	*£m*	*£m*
Non-current assets				
Fixed assets	*12*	2,693.8	1,747.3	1,901.4
Right-of-use assets	*13*	1,599.6	952.3	1,136.9
Telecommunications licences	*14*	5,986.8	3,564.2	3,647.4
Deferred tax assets	*17*	438.4	1,438.1	1,335.2
Other non-current assets	*18*	1,034.5	710.7	585.1
		11,753.1	8,412.6	8,606.0
Current assets				
Cash and cash equivalents	*19*	11.2	12.1	74.8
Inventories	*20*	112.1	150.0	128.0
Trade receivables and other current assets	*21*	3,979.7	4,256.3	4,210.6
		4,103.0	4,418.4	4,413.4
Current liabilities				
Loans due to RemainCo and other debts	*22*	1,715.1	1,849.4	1,823.6
Current tax liabilities		12.6	–	3.7
Lease liabilities	*13*	507.8	518.9	522.5
Trade payables and other current liabilities	*23*	1,954.5	2,087.7	2,058.2
		4,190.0	4,456.0	4,408.0
Net current assets (liabilities)		(87.0)	(37.6)	5.4
Total assets less current liabilities		11,666.1	8,375.0	8,611.4
Non-current liabilities				
Lease liabilities	*13*	1,262.4	1,214.9	1,163.2
Pension obligations	*27*	6.3	6.5	6.5
Other non-current liabilities	*25*	253.0	264.9	266.8
		1,521.7	1,486.3	1,436.5
Net assets		10,144.4	6,888.7	7,174.9
Equity				
Net parent's investment		10,144.4	6,888.7	7,174.9
Total equity		10,144.4	6,888.7	7,174.9

HISTORICAL FINANCIAL INFORMATION OF THE VODAFONE UK BUSINESS

COMBINED STATEMENT OF CHANGES IN EQUITY

	Note	**Net parent's investment** *£m*
At 1 April 2021	*33*	**8,062.2**
Profit for the year		1,585.6
Other comprehensive income		369.4
Total comprehensive income		1,955.0
Transactions with equity holders in their capacity as equity holders:		
Net share-based payments		4.1
Contribution [(a)]		123.1
		127.2
At 31 March 2022		**10,144.4**
Loss for the year		(3,009.0)
Other comprehensive income (loss)		(158.9)
Total comprehensive income (loss)		(3,167.9)
Transactions with equity holders in their capacity as equity holders:		
Net share-based payments		5.3
Distribution [(a)]		(93.1)
		(87.8)
At 31 March 2023		**6,888.7**
Profit for the year		334.2
Other comprehensive income (loss)		(66.1)
Total comprehensive income		268.1
Transactions with equity holders in their capacity as equity holders:		
Net share-based payments		8.2
Contribution [(a)]		9.9
		18.1
At 31 March 2024		**7,174.9**

(a) Contribution and distribution have arisen from the application of the separate return method, using the submitted tax computations for the tax reporting in respect of the years ended before 31 March 2024. Both current and deferred tax balances are capped based on the tax base available to the Perimeter Entities post surrender or claim of tax losses from or to the Vodafone Group. Contribution and distribution represent the change in intragroup payments and receipts for intragroup loss relief.

HISTORICAL FINANCIAL INFORMATION OF THE VODAFONE UK BUSINESS

COMBINED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March 2022 £m	2023 £m	2024 £m
Operating activities				
Cash generated from operating activities before finance income, interest expenses and other finance costs, tax paid and changes in working capital	*29(a)*	1,364.6	1,450.3	1,566.5
Interest received		–	–	0.7
Interest paid		(34.1)	(38.4)	(62.6)
Tax paid		(0.7)	(1.1)	–
Funds from operations (before principal elements of lease payments)		1,329.8	1,410.8	1,504.6
Changes in working capital	*29(b)*	44.5	240.5	56.4
Net cash from operating activities		1,374.3	1,651.3	1,561.0
Investing activities				
Purchase of fixed assets		(703.2)	(807.9)	(739.4)
Additions to telecommunications licences		(20.0)	–	–
Proceeds from disposal of fixed assets		2.4	1.0	0.4
Net movements in short-term loans and advances		5.8	(127.3)	97.5
Cash flows used in investing activities		(715.0)	(934.2)	(641.5)
Financing activities				
New borrowings	*29(c)*	13.1	16.6	21.2
Repayment of borrowings	*29(c)*	(15.0)	(1.7)	(27.9)
Principal elements of lease payments	*29(c)*	(650.0)	(731.1)	(835.1)
Settlement of share-based payments		(6.4)	–	(15.0)
Cash flows used in financing activities		(658.3)	(716.2)	(856.8)
Increase in cash and cash equivalents		1.0	0.9	62.7
Cash and cash equivalents at beginning of the year		10.2	11.2	12.1
Cash and cash equivalents at end of the year		11.2	12.1	74.8

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

CK Hutchison Holdings Limited (the "Company"), Brilliant Design Limited ("Hutchison"), CK Hutchison Group Telecom Holdings Limited ("CKHGTH"), Vodafone International Operations Limited ("Vodafone"), Vodafone Group Plc ("Vodafone TopCo", together with its subsidiaries, the "Vodafone Group"), and Vodafone UK Trading Holdings Limited ("MergeCo") entered into a contribution agreement on 14 June 2023 (the "Contribution Agreement"), pursuant to which the parties have conditionally agreed on the transaction to combine Vodafone's and Hutchison's respective telecommunications operations in the UK into MergeCo. Immediately following the closing of the transactions under the Contribution Agreement (the "Closing"), the issued share capital of MergeCo will be owned 51% by Vodafone and 49% by Hutchison.

The transactions and steps contemplated under the Contribution Agreement, including the joint venture establishment, the grant and the possible exercise of the options to be granted pursuant to the Shareholders' Agreement (as defined below) including the possible acquisition and disposal of Vodafone securities, as applicable under a shareholders' agreement to be entered into between Hutchison, CKHGTH, Vodafone, Vodafone TopCo and MergeCo at Closing (the "Shareholders' Agreement") is hereunder defined as the "Transaction". The Transaction is subject to regulatory and shareholder approvals.

The Vodafone Group's telecommunications operations in the UK (the "Vodafone UK Business"), which are the subject of the Transaction, comprise the entirety of the Vodafone Group's 100% interest in Vodafone Limited ("Vodafone UK"), Talkmobile Limited, Vodafone Enterprise U.K., Energis Communications Limited and Thus Group Holdings Limited; and the Vodafone Group's 25% interest in Digital Mobile Spectrum Limited (collectively the "Perimeter Entities").

The principal activity of the Vodafone UK Business is the provision of telecommunication services in the UK through its mobile and fixed networks.

2 Basis of preparation and presentation

The Vodafone UK Business represents a collection of economic activities which represents a business under International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Perimeter Entities, forming the Vodafone UK Business, were under the common control and management of the Vodafone Group and have been managed as a single business by the Vodafone Group throughout the years ended 31 March 2022, 2023 and 2024.

The Historical Financial Information presents the financial track record of the Vodafone UK Business as at 31 March 2022, 2023 and 2024 and for each of the years ended 31 March 2022, 2023 and 2024 and is prepared solely for the purpose of inclusion in this circular (the "Circular") for the Transaction.

The Historical Financial Information has been prepared in accordance with IFRS and drawn up applying the accounting policies which are materially consistent with the accounting policies of the Company and its subsidiaries. A summary of material accounting policies of the Company and its subsidiaries is set out in the consolidated financial statements of the Company for the year ended 31 December 2023.

The Historical Financial Information comprises the combined statement of financial position as at 31 March 2022, 2023 and 2024, and the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for each of the years ended 31 March 2022, 2023 and 2024 and material accounting policy information and other explanatory information set out in this appendix to the Circular. The combined statement of financial position as at 31 March 2022, 2023 and 2024 have been prepared to present the carrying amounts of the combined assets and the combined liabilities of the Perimeter Entities, which form the Vodafone UK Business, as at 31 March 2022, 2023 and 2024. The combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the years ended 31 March 2022, 2023 and 2024 have been prepared to include the combined financial performance, the combined changes in equity and the combined cash flows of the Perimeter Entities, which form the Vodafone UK Business, for each of the years ended 31 March 2022, 2023 and 2024.

The Historical Financial Information has been prepared based on the audited Underlying Financial Statements as at 31 March 2022, 2023 and 2024 and for each of the years ended 31 March 2022, 2023 and 2024 (the "Track Record Period") and adjusted to reflect the applicable accounting policies of the Company and its subsidiaries. The audited Underlying Financial Statements as at 31 March 2022, 2023 and 2024 and for each of the years ended 31 March 2022, 2023 and 2024, on which the Historical Financial Information is based, were drawn up from the consolidated financial statements of the Vodafone Group and related accounting records unless otherwise stated, and were prepared under the Vodafone Group's accounting policies at and for the year ended 31 March 2024 and in accordance with IFRS.

The preparation of the Historical Financial Information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies. The critical accounting judgements and key sources of estimation uncertainty are detailed in note 6.

In preparing the Historical Financial Information, IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied to prepare an opening balance sheet at 1 April 2021 (see note 33). Since the Vodafone UK Business as a combined reporting entity has not previously prepared financial statements, it has not presented a reconciliation of its income statement, financial position or cash flows to previous generally accepted accounting principles ("GAAP").

The Historical Financial Information is prepared on a historical cost basis except for certain financial instruments measured at fair value and pension plans measured at the fair value of plan assets, less the present value of defined benefit obligations.

Management believes that the assumptions and estimates used in the preparation of this Historical Financial Information are reasonable. However, the Historical Financial Information may not be indicative of the Vodafone UK Business's future performance and do not necessarily reflect what its results or financial position would have been had the Vodafone UK Business operated as a separate independent entity during the Track Record Period presented.

The Directors are satisfied that, at the time of approving the Historical Financial Information, it is appropriate to adopt the going concern basis. The Directors have considered that the proposed merger of the Vodafone UK Business and the entities constituting the CK Hutchison's telecommunications operations in the UK (collectively referred to as "Three UK Business") ("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 Vodafone UK Business, the Directors have considered two scenarios, one, where completion of the Merger does not occur within the going concern period, and both the Vodafone UK Business and the Three UK Business 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 Vodafone UK Business and have assessed the monthly cashflow forecasts through to 30 September 2025, and concluded that the going concern basis is appropriate.

The Directors also noted that the Vodafone UK Business has £2,777 million cash held in a call deposit account on 31 March 2024 as part of the Vodafone TopCo cash pooling arrangement. Under the terms of the arrangement, the management of the Vodafone UK Business has control of this deposit and can withdraw funds as required. The Directors have reviewed the financial performance and position of Vodafone TopCo and concluded there is sufficient cash and liquidity to support the cash pooling arrangement as needed.

Vodafone TopCo has confirmed its continued support to the Vodafone UK Business to refinance and not request repayment of £2,187 million 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 Vodafone UK Business in the Standalone Scenario will have adequate resources to continue in business as going concern.

Merger Scenario

In assessing whether the Vodafone UK Business 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 additional debt facility which is contractually available to MergeCo from the shareholders after MergeCo has exhausted all other possible financing options and will not be 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 the Vodafone UK Business and the Three UK Business, 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.

- 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 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 facility.

(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. This scenario is considered remote, as it would require a significant reduction in MergeCo's revenue during the going concern period at the average contribution margin. Given the historical growth trend in the customer bases of the Vodafone UK Business and the Three UK Business, and the synergies arising 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 this Historical Financial Information and taken into account the considerations outlined in both the Standalone and Merger scenario detailed above. They are of the opinion that the Vodafone UK Business will have sufficient liquidity to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of approving this Historical Financial Information. Accordingly, the Directors are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

3 Basis of combination

The assets, liabilities, income and expenses of the Perimeter Entities have been included in the Historical Financial Information in full except for those held in Vodafone Enterprise U.K.. Prior to completion of the Transaction, Vodafone Enterprise U.K. will transfer its assets, liabilities, income, and expenses as recognised in its statutory accounts to an entity outside the perimeter. Therefore, these assets, liabilities, income, and expenses as recognised in the statutory accounts of Vodafone Enterprise U.K. are not included in the Historical Financial Information.

Further, the 25% interest in Digital Mobile Spectrum Limited is accounted for as an intangible asset being the capped contribution by the Vodafone UK Business in relation to Digital Mobile Spectrum Limited's activities following the acquisition of 4G spectrum licences.

Transactions and balances between the Perimeter Entities are eliminated. Transactions and balances between the Vodafone UK Business and the remaining Vodafone Group that is not part of the Transaction ("RemainCo") have been presented as external transactions and balances and have been disclosed as related party transactions and balances in accordance with IAS 24 "Related Party Disclosures".

All equity components are presented in a single line item within "Net parent's investment" in the combined statement of financial position and combined statement of changes in equity. No separate share capital or other similar equity reserves are presented on the basis that the Vodafone UK Business does not represent a group as defined by IFRS 10 "Consolidated Financial Statements".

4 Basis of allocation

All separately identifiable assets and liabilities, income and expenses and cash flows that are attributable to the Vodafone UK Business have been included in the Historical Financial Information.

Certain financial assets and liabilities are managed at the Vodafone Group level for the entire Vodafone Group (including the Vodafone UK Business). Treatment of these balances in the Historical Financial Information is as described below:

(a) Cash and liquidity management

Perimeter Entities take part in the cash pooling arrangement operated centrally by the Vodafone Group treasury. Daily excess cash balances or deposits are automatically transferred to the Vodafone Group's bank account; cash is drawn from the Vodafone Group's bank account when there is a funding shortage. The net cash balance when swept to/transferred from the Vodafone Group's bank account is recognised as a receivable/payable, which is unsecured and repayable on demand with interest charged on an arm's length basis. Any balances not swept to the cash pool account remain in the legal name of the Perimeter Entities and are recognised as cash and cash equivalents in their statutory accounts. These balances are recognised as receivables, payables and cash and cash equivalents respectively by the Perimeter Entities and are included as such in the Historical Financial Information.

(b) External borrowings and related finance expenses

The Vodafone Group raises external borrowings centrally. The Vodafone Group's external borrowings range from committed bank facilities, bank loans and short-term and long-term issuances in the capital markets including bonds. These external borrowings are not specific to the Perimeter Entities. These external borrowings and related expenses are not recognised by the Perimeter Entities in their statutory accounts.

These external borrowings and related finance expenses are not allocated to the Historical Financial Information as:

- None of the Perimeter Entities are severally or jointly liable for these borrowings;
- None of the Perimeter Entities have provided any guarantee for these borrowings; and
- None of these borrowings will be novated or transferred to the Vodafone UK Business after the Transaction.

(c) Pensions

Vodafone UK is the only entity within the Vodafone UK Business with employees. The entity has both defined benefit and defined contribution plans.

Vodafone UK's main defined benefit plan is the Vodafone UK Group Pension Scheme ("Vodafone Pension Plan"), which is a Group plan. The Vodafone UK's section of the Vodafone Pension Plan covers a number of UK based employers within the Vodafone Group. Vodafone Pension Plan was closed to new members and future accrual in March 2010. At that time, an allocation was determined for Vodafone UK's share of defined benefit obligation, plan assets, contributions and costs associated with the plan relative to the other Vodafone Group entities' members. Vodafone UK and other Vodafone Group entities have agreed to maintain the basis of allocation of the pension scheme assets and liabilities as determined in March 2010 for all the future years. Vodafone UK also operates the THUS Group Plc Pension Scheme and a small unfunded plan.

All costs, assets and liabilities arising from these plans and directly attributable to Vodafone UK are recognised in the statutory accounts of Vodafone UK and are included as such in the Historical Financial Information.

(d) Share-based payments

Vodafone TopCo issues equity-settled share awards to some of the employees in Vodafone UK, the only entity within the Vodafone UK Business with employees. When Vodafone TopCo issues rights or share options over its shares to employees of Vodafone UK, Vodafone UK records this as a capital contribution directly in equity with a corresponding debit to income statement for share-based payment expense. When Vodafone UK 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.

Expenses in respect of the share-based payment awards which are directly attributable to Vodafone UK are recognised in the statutory accounts of Vodafone UK and are included as such in the Historical Financial Information.

(e) Corporate cost allocation

The Vodafone Group incurs a number of corporate costs centrally. These costs comprise costs associated with remuneration of the Vodafone Group's Board including top executives, provision of treasury services, use of shared assets etc. These costs are recharged to the Perimeter Entities based on pre-defined agreements, on an arm's length basis. The expenses are recognised by the Perimeter Entities in their statutory accounts and are included as such in the Historical Financial Information. The expenses are included in "Purchase of goods or services" within the related party transactions disclosure in note 30.

(f) Taxation

Current and deferred tax is determined by applying the separate return method using the known factual basis of submitted tax computations for the tax reporting in respect of the years ended before 31 March 2024. This method assumes that the Perimeter Entities were separately taxable entities and did not surrender or claim tax losses to or from the Vodafone Group. Therefore, the current and deferred income taxes of the Perimeter Entities are calculated separately, which differs from the methodology reflected in those entities' statutory accounts. The difference is recognised as a contribution or distribution within equity. However, both current and deferred tax balances recognised under the separate return method in the Historical Financial Information are capped based on the tax base available to the Perimeter Entities post surrender or claim of tax losses from or to the Vodafone Group.

5 Material accounting policies

Accounting policies that materially impact the Historical Financial Information are as follows:

(a) Revenue recognition

When Perimeter Entities enter 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 will 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 Perimeter Entities' digital services and Internet of Things customer offers typically include separate obligations for communication services, as well as equipment and software or software as a service. Where goods and services have a functional dependency (for example, a fixed line router can only be used with the Perimeter Entities' services) this does not, in isolation, prevent those goods or services from being assessed as separate obligations. Activities relating to connecting customers to the Perimeter Entities' 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.

The Perimeter Entities determine the transaction price which they expect to receive in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The contractual amounts may include fixed amounts, variable amounts, or both. The Perimeter Entities include the transaction price some or all of the variable amounts only to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where indirect channel dealers, such as retailers, acquire customer contracts on behalf of the Perimeter Entities 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 in accordance with the price the Perimeter Entities would receive by selling the similar 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.

Methods for estimating standalone prices include determining the standalone price of similar goods and services sold by the Perimeter Entities, observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach (which may be the case for handsets and other equipment). Where it is not possible to reliably estimate standalone prices due to lack of observable standalone sales or highly variable pricing, which is sometimes the case for services, the standalone price of an obligation may be determined as the transaction price less the standalone prices of other obligations in the contract. The standalone price determined for each obligation impacts the allocation of revenue to these obligations and the timing of revenue recognition when obligations are provided to customers at different times.

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 Perimeter Entities provide 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 Perimeter Entities have control of goods or services prior to delivery to a customer, then the Perimeter Entities are 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 Perimeter Entities 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 Perimeter Entities.

Customers typically pay in advance for prepaid 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 of time 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. Once the amount receivable becomes conditional only on the passage of time, the contract asset becomes a trade receivable. 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.

(b) 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 Perimeter Entities to deliver an obligation and are expected to be recovered, then those costs are recognised on the combined 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 Perimeter Entities, are recognised as contract acquisition cost assets on the combined 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 Perimeter Entities; 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, Perimeter Entities-funded incentives to end customers, are deducted from revenue recognised.

(c) Foreign currencies

Transactions in currencies other than the Perimeter Entities' functional currency are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities which are denominated in other currencies are translated into the functional currency at the rates prevailing on that date. Non-monetary items measured at historical cost denominated in other currencies are not retranslated. Gains and losses arising on translations are included in the combined income statement.

The functional and presentation currency of all the Perimeter Entities is pound sterling.

(d) Leases

As a lessee

When the Perimeter Entities lease 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 separately presented on the combined statement of financial position.

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 Perimeter Entities are 'reasonably certain' to exercise any extension options. The useful life of the asset is determined in a manner consistent to that for fixed assets. 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 incremental borrowing rates of the Perimeter Entities. Lease payments included in the lease liability include 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 Perimeter Entities' assessment of the lease term changes; any remeasurement of 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 stand-alone price for the additional lease components are treated as separate leases. If a lease modification decreases the scope of the lease, the Perimeter Entities remeasure both the right-of-use asset and the lease liability and recognise 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.

Lease term

Where practicable the Perimeter Entities seek to include extension or break options in leases to provide operational flexibility, therefore many of the lease contracts contain optional periods. The 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 6.

After initial recognition of a lease, the Perimeter Entities only reassess the lease term when there is a significant event or a significant change in circumstance, which was not anticipated at the time of the previous assessment. Significant event or significant change in circumstance 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 circumstance does not occur, the lease term and therefore lease liability and right-of-use asset value, will decline over time.

The leases for customer connectivity are normally either under regulated access or network sharing or similar preferential access arrangements and, as a result, the Perimeter Entities normally have 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 Perimeter Entities do not have any significant cash exposure to optional periods on customer connectivity as the entities can cancel the lease when the service agreement ends. In some circumstances the Perimeter Entities are committed to minimum spend amounts for connectivity leases, which are included within reported lease liabilities.

As a lessor

Where the Perimeter Entities act as a lessor, they determine 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.

Where the Perimeter Entities act as 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.

Finance lease receivables are included as "net investment in leases" within other non-current assets and trade receivables and other current assets.

Income from operating leases is recognised on a straight-line basis over the lease term. Interest income from finance leases is recognised over the lease term.

Lease income is recognised as "other revenue" for transactions that are part of the Perimeter Entities' ordinary activities which include the supply of equipment to customers. The Perimeter Entities use principles under IFRS 15 "Revenue from Contracts with Customers" to allocate the consideration in contracts between any lease and non-lease components.

(e) Post-employment benefits

The Perimeter Entities participate in both defined benefit and defined contribution pension schemes.

Defined benefit pension schemes

The surplus or deficit recognised on the combined 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. Assets are valued at market value. 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 Perimeter Entities recognise actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in the period in which they occur in the combined statement of comprehensive income. The return on plan assets, in excess of interest income, and costs incurred for the management of plan assets are also taken to other comprehensive income.

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

Defined contribution pension schemes

For defined contribution schemes, the Perimeter Entities pay contributions to independently administered funds. The Perimeter Entities have 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 combined income statement represent contributions payable in respect of the year.

(f) Share-based payments

Vodafone TopCo issues equity-settled share-based awards in the form of share options and rights to shares to certain employees of the Perimeter Entities. 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 Vodafone UK's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Where Vodafone UK grants rights or share options over Vodafone TopCo shares to its employees, Vodafone UK records it as an increase in net parent's investment. Where Vodafone UK makes cash payments to Vodafone TopCo, in respect of any rights or share options granted, such cash contributions are accounted for as a reduction in net parent's investment.

(g) Taxation

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

The current tax charge calculation is based on the tax laws enacted or substantively enacted at the balance sheet date. Management of the Perimeter Entities 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 on the Historical Financial Information. 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 at 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.

(h) Finance costs and income

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

(i) Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Perimeter Entities' interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity recognised at the date of acquisition.

Goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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 an indication that the asset may be impaired. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units. As the Perimeter Entities as a whole have been involved in providing a single group of similar services and products (being the supply of communications services and related products) representing the lowest level of asset group for which separately identifiable cash flows are generated, one cash-generating unit ("CGU") has been identified throughout the Track Record Period.

If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata, based on the carrying amount of each asset in the unit. Impairment losses recognised for goodwill are not reversible in subsequent periods.

The recoverable amount is the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU").

(j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Included within the cost of network infrastructure assets are materials awaiting installation which are valued at cost less 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 combined income statement.

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 Perimeter Entities, 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. Costs associated with maintaining software programs are classified as an expense when they are incurred.

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 fixed assets includes directly attributable incremental costs incurred in its acquisition and installation.

Depreciation of fixed assets

Depreciation of fixed assets 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)
Computer software	Not more than 5 years
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.

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Management of the Perimeter Entities determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and considering other relevant factors such as any expected changes in technology. The useful life of network infrastructure is assumed not to exceed the duration of related operating licences unless there is a reasonable expectation of renewal or an alternative future use for the asset. The useful life of computer software will not exceed the duration of the licence.

(k) Telecommunications licences

Telecommunications licences are stated at cost less accumulated amortisation and any provision for impairment. Telecommunications licences are considered to have indefinite useful lives since 1 January 2009 and are not amortised, and are tested for impairment annually and when there is an indication that they may be impaired.

(l) Financial instruments

Financial assets and financial liabilities are recognised on the combined statement of financial position when the Perimeter Entities become a party to the contractual provisions of the instrument.

(m) Trade and other receivables

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 Perimeter Entities sell portfolios of receivables related to handset sales from time to time. These portfolios are essentially held for both collecting contractual cashflows and sale and are therefore, recorded at FVOCI. 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. 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 other comprehensive income as change in the fair value. When there is a change in credit risk, an impairment gain or loss is charged to combined income statement with corresponding change in loss allowance recognised in other comprehensive income. The change in fair value attributable to credit risk is adjusted to the carrying value of these receivables with corresponding movement recognised in other comprehensive income.

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 receivable is re-measured at fair value prior to sale, and the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss within "Other expenses and losses" in the combined income statement.

The carrying values of trade receivables carried at amortised cost and contract assets are 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 the historical experience and forward-looking considerations. Individual balances are written off when management of the Perimeter Entities 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.

(n) Trade and other payables

Trade and other payables, other than contract liabilities, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

(o) Balances under the cash pooling arrangement

The receivables and payables under the cash pooling arrangement are initially measured at fair value (which is equal to cost at inception), and are subsequently measured at amortised cost, using the effective interest rate method. These balances are unsecured, repayable on demand with interest charged at an arm's length. These receivables and payables are included within "Trade receivables and other current assets" and "Loans due to RemainCo and other debts" respectively in the combined statement of financial position.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash balances with banks. Cash and cash equivalents are measured at amortised cost. The majority of the cash balances are held in a bank account managed by a third-party. These balances are considered as demand deposits without restriction for use by the Perimeter Entities and are therefore recognised as cash in the combined statement of financial position.

(q) Inventory

Inventory is valued at the lower of cost and estimated net realisable value. Cost is determined on the basis of weighted average costs and comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventory to their present location and condition. 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.

(r) Provisions

Provisions for asset retirement obligations, restructuring costs and other claims are recognised when the Perimeter Entities have 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. Where the timing of settlement is uncertain, amounts are classified as non-current where settlement is expected more than 12 months from the reporting date.

(s) Contingent liabilities

Contingent liabilities are potential future cash outflows, where the likelihood of payment is considered more than remote but is not considered probable or cannot be measured reliably.

(t) Segment reporting

The Vodafone UK Business's operating segments are established based on how the Perimeter Entities are evaluated regularly by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources and in assessing performance. The Vodafone UK Business has determined the Chief Executive Officer of the Vodafone UK Business as the "CODM".

During the Track Record Period, the Perimeter Entities have been involved in providing a single group of similar services and products, being the supply of communications services and related products. Further, the results of the Perimeter Entities are reviewed by the CODM on an aggregated basis. Therefore, the Vodafone UK Business as a whole is considered a single operating segment.

New accounting pronouncements

New accounting pronouncements adopted during the Track Record Period

The Perimeter Entities adopted the new accounting policies, listed below, to comply with amendments to IFRS issued by IASB. These accounting policies were effective from their adoption date and none of these were early adopted in the earlier periods. These accounting pronouncements did not have a material impact on the Historical Financial Information on adoption.

New accounting pronouncements	Adoption date
Amendments to IFRS 16 "Covid-19 – Related Rent Concessions" and "Covid-19 – Related Rent Concessions beyond 30 June 2021"	1 April 2021
Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"	1 April 2021
Annual Improvements to IFRS Standards 2018-2020	1 April 2022
Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	1 April 2022
Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"	1 April 2022
Amendments to IFRS 3 "Reference to the Conceptual Framework"	1 April 2022
IFRS 17 "Insurance Contracts"	1 April 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	1 April 2023
Amendment to IAS 8 "Definition of Accounting Estimates"	1 April 2023
Amendment to IAS 12 "International Tax Reform – Pillar Two Model Rules"	1 April 2023
Amendment to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"	1 April 2023

New accounting pronouncements to be adopted on or after 1 April 2024

The following narrow-scope amendments have been issued by the IASB and are effective for annual reporting periods beginning on or after 1 January 2024:

– Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current" and amendments to IAS 1 "Non-current Liabilities and Covenants"

– Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

– Amendments to IAS 7 and IFRS 7 "Disclosures – Supplier Finance Arrangements"

The amendments to IAS 1, IFRS 16, IAS 7 and IFRS 7 are not expected to have a material impact on the combined financial statements of the Vodafone UK Business.

New accounting pronouncement to be adopted on or after 1 April 2025

The following narrow-scope amendments have been issued by the IASB and are effective for annual reporting periods beginning on or after 1 January 2025:

– Amendments to IAS 21 "The Lack of Exchangeability – The Effects of Changes in Foreign Exchange Rates"

The amendments to IAS 21 are not expected to have a material impact on the combined financial statements of the Vodafone UK Business.

New accounting pronouncement to be adopted on or after 1 April 2026

The following narrow-scope amendments have been issued by the IASB and are effective for annual reporting periods beginning on or after 1 January 2026:

– Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"

– Amendments to IFRS 9 and IFRS 7 "Settlement by electronic payments"

– Annual improvements to IFRS Accounting Standards – Volume 11

The Perimeter Entities are assessing the impact of the amendments to IFRS 9 and IFRS 7 and the annual improvements to IFRS Accounting Standards on the combined financial statements of the Vodafone UK Business.

New accounting pronouncement to be adopted on or after 1 April 2027

The following new accounting standards have been issued by the IASB and are effective for annual reporting periods beginning on or after 1 January 2027:

– IFRS 18 "Presentation and Disclosure in Financial Statements"

– IFRS 19 "Subsidiaries without Public Accountability: Disclosures"

The Perimeter Entities are assessing the impact of IFRS 18 on the combined financial statements of the Vodafone UK Business. IFRS 19 is not applicable to the Perimeter Entities.

6 Critical accounting judgements and key sources of estimation uncertainty

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 Perimeter Entities make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Judgements

The following judgements which have the most significant effect on the amounts recognised in the Historical Financial Information have been made:

(a) Revenue recognition

Gross versus net presentation

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

(b) Useful life of telecommunications licences

Telecommunications licences comprise the right to use spectrum and the right to provide a telecommunications service. Telecommunications licences that are considered to have an indefinite useful life are not amortised. Telecommunications licences are reviewed for impairment annually. Judgement is required to decide if the life of the asset is indefinite or finite. Due to the perpetual nature of these telecommunications licences, these have been concluded to have indefinite lives.

(c) 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.

Lease identification

Whether the arrangement is considered a lease, or a service contract, depends on the analysis by management of the Perimeter Entities of both the legal form and substance of the arrangement between the Perimeter Entities 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 Perimeter Entities obtain substantially all of the economic benefit from the use of the asset, and are 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 Perimeter Entities have exclusive use of a physical line it is determined that the Perimeter Entities can also direct the use of the line and therefore leases will be recognised. Where the Perimeter Entities provide access to fibre or other fixed telecommunication lines to another operator on a wholesale basis the arrangement will generally be identified as a lease.

The impact of determining whether an agreement is a lease or a service, depends on whether the Perimeter Entities are potential lessees or lessors in the arrangement and, where the Perimeter Entities are lessors, whether the arrangement is classified as an operating or finance lease. The impacts for each scenario are described below where the Perimeter Entities are 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 Perimeter Entities act as a lessee. As a lessee, optional periods are included in the lease term if the Perimeter Entities are reasonably certain they will exercise an extension option or will not exercise a termination option; this depends on an analysis by management of the Perimeter Entities 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 Perimeter Entities have 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 Perimeter Entities are more likely to judge that lease extension options are reasonably certain to be exercised. The value of the right-of-use asset and lease liability will be greater when extension options are included in the lease term. The normal approach adopted for lease term by asset class is described below.

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

– Between 5 and 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 the 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 services to individual customers; and

- 5 years where the Perimeter Entities have leases for the use of space on towers for the placement of network infrastructure.

Where there are contractual agreements to provide services using leased assets, the lease term for these assets is generally set in accordance with the above principles or for the lease term required to provide the services for the agreed service period, if longer.

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

Lease terms are reassessed if a significant event or change in circumstance occurs relating to the leased assets that is within the control of the Perimeter Entities; such changes usually relate to commercial agreements entered into by the Perimeter Entities, or business decisions made by the Perimeter Entities. Where such changes revise the Perimeter Entities' assessment of whether they are reasonably certain to exercise options to extend, or not terminate leases, then the lease term is reassessed and the lease liability is remeasured, which in most cases will increase the lease liability.

(d) Recognition of deferred tax assets

Management judgement is exercised to determine the recognition of deferred tax assets on the basis that it is probable that there will be sufficient and suitable taxable profits in the Perimeter Entities against which to utilise the assets in the future.

(e) Contingent liabilities

Management judgement is exercised to determine whether to recognise provisions and the exposures to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 31). Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within 12 months from the balance sheet date, are described below:

(a) Recoverability of deferred tax assets

The Perimeter Entities assess the availability of future taxable profits using the same undiscounted five-year forecasts for the Perimeter Entities' operations as are used in the Vodafone UK Business's VIU 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 VIU 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 the Vodafone UK Business's ability to acquire and/or renew spectrum licences.

Changes in estimates which underpin the Vodafone UK Business'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 Perimeter Entities only consider substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits.

Further details, including a sensitivity analysis, are included in note 17.

(b) Post-employment benefits

Management judgement is exercised when determining the Perimeter Entities' liabilities arising for defined benefit pension schemes. Management of the Perimeter Entities 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 27.

(c) Impairment reviews

IFRS requires management to perform impairment tests annually for goodwill and intangible assets that have an indefinite useful life, or more frequently if events or changes in circumstances indicate that they might be impaired. Finite lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the CGU (to which goodwill is allocated) exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's FVLCD and its VIU. Management determined the recoverable amount of the CGU based on FVLCD, as it was higher than the VIU calculations. The FVLCD is calculated 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

– Post-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 Perimeter Entities' impairment evaluation, and hence reported assets and profits or losses.

Further details, including a sensitivity analysis, are included in note 8.

7 Revenue and segmental analysis

Revenue in the Track Record Period includes revenue from contracts with customers comprising service and hardware revenue, interest revenue arising for transactions with a significant financing component and other revenue items which primarily include revenue from leases.

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Service revenue	4,355.1	4,586.2	4,825.4
Hardware revenue	1,154.4	1,163.1	965.0
Revenue from contracts with customers	5,509.5	5,749.3	5,790.4
Interest revenue	28.5	28.6	37.6
Other revenue	35.3	51.3	33.2
Total revenue	5,573.3	5,829.2	5,861.2

Contract-related balances

The total future revenue from the remaining term of Perimeter Entities' contracts with customers for performance obligations not yet delivered to those customers at 31 March 2022, 2023 and 2024 are £3,729 million, £3,693 million and £3,998 million; of which £2,109 million, £2,083 million and £2,125 million are expected to be recognised within the next twelve months respectively and the majority of the remaining amounts in the following twenty-four months.

Balances of contract assets, contract liabilities and contract related costs are disclosed in notes 18, 21, 23 and 25.

Segmental analysis

For the Historical Financial Information, the Vodafone UK Business as a whole is considered a single operating and reportable segment.

Revenue is attributed to a country based on the location of the Perimeter Entities reporting the revenue. There are no assets located or operating revenue derived from activities outside the UK. There is no single external customer that exceeds 10% of total revenue in the Track Record Period presented.

Adjusted EBITDAaL is identified as the Vodafone UK Business's measure of segment profit or loss, while EBITDA is an alternative performance measure for the Vodafone UK Business's financial results. The latter is deemed material information to the users of the Historical Financial Information.

Adjusted EBITDAaL is defined as profit or loss (i) after depreciation on right-of-use assets and interest on lease liabilities, and (ii) before depreciation on fixed assets, amortisation on contract related costs, restructuring costs arising from discrete restructuring plans, corporate costs recharged by RemainCo, impairment loss (reversal of impairment loss) against fixed assets, right-of-use assets and telecommunication licences including the depreciation adjustment arising from impairment loss (reversal of impairment loss) against right-of-use assets, other income and expense that are not considered by management of the Vodafone UK Business to be reflective of the underlying performance of the Perimeter Entities, finance income, interest expenses and other finance costs and tax. The definition and calculation of adjusted EBITDAaL are based on the definition and calculation of adjusted EBITDAaL as applied in the Underlying Financial Statements and adjusted to reflect the applicable accounting policies of the Company and its subsidiaries as mentioned in Note 2.

EBITDA (LBITDA) is defined as profit or loss before depreciation and amortisation, finance income, interest expenses and other finance costs and tax. The definition and calculation of EBITDA (LBITDA) are based on the definition and calculation of EBITDA as applied in the Underlying Financial Statements and adjusted to reflect the applicable accounting policies of the Company and its subsidiaries as mentioned in Note 2.

A reconciliation of adjusted EBITDAaL and EBITDA (LBITDA) of the Vodafone UK Business to its profit (loss) before tax for the Track Record Period is shown below.

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Adjusted EBITDAaL	1,393.3	1,426.8	1,495.4
Reorganisation expenses – restructuring (see note 8)	(21.7)	(5.9)	(8.6)
Interest expenses on lease liabilities (see note 10)	29.4	33.0	62.6
Depreciation on fixed assets (see note 8)	(662.6)	(701.1)	(636.9)
Amortisation on contract related costs (see note 8)	(235.5)	(264.8)	(280.0)
Corporate costs recharged by RemainCo	(434.3)	(407.7)	(437.3)
Reversal of impairment loss (impairment loss) (see note 8)	1,707.0	(4,088.8)	140.4
Depreciation adjustment arising from impairment loss (reversal of impairment loss) against right-of-use assets	60.5	(10.0)	95.6
Other income and expense	6.5	(3.7)	6.5
	1,842.6	(4,022.2)	437.7
Finance income	5.8	47.9	122.9
Interest expenses and other finance costs	(34.5)	(42.5)	(97.8)
Profit (loss) before tax	1,813.9	(4,016.8)	462.8

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
EBITDA (LBITDA)	3,318.7	(2,372.2)	1,968.7
Depreciation and amortisation	(1,476.1)	(1,650.0)	(1,531.0)
	1,842.6	(4,022.2)	437.7
Finance income	5.8	47.9	122.9
Interest expenses and other finance costs	(34.5)	(42.5)	(97.8)
Profit (loss) before tax	1,813.9	(4,016.8)	462.8

An analysis of EBITDA before the impairment impact is shown below.

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
EBITDA before the impairment impact	1,611.7	1,716.6	1,828.3
Reversal of impairment loss (impairment loss) (see note 8)	1,707.0	(4,088.8)	140.4
EBITDA (LBITDA)	3,318.7	(2,372.2)	1,968.7

8 Presentation of cost of goods sold, depreciation and amortisation, other expenses and losses and other income and gains

This note provides additional details in respect of cost of goods sold, depreciation and amortisation, other expenses and losses and other income and gains.

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Cost of goods sold:			
included in "Cost of inventories sold"	11.2	13.6	14.9
included in "Expensed customer acquisition and retention costs"	992.9	1,023.1	846.0
	1,004.1	1,036.7	860.9

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Depreciation and amortisation:			
Fixed assets (see note 12)	662.6	701.1	636.9
Right-of-use assets (see note 13)	578.0	684.1	614.1
Contract related costs	235.5	264.8	280.0
	1,476.1	1,650.0	1,531.0

	Year ended 31 March		
	2022	2023	2024
	£m	£m	£m
Other expenses and losses:			
Cost of providing services	1,716.4	1,740.4	1,850.1
Office and general administrative expenses and others	321.7	303.5	280.4
Auditors' remuneration [a]	1.4	1.4	1.5
Net impairment losses on financial and contract assets (see note 26)	140.5	181.1	142.9
Reorganisation expenses – restructuring	21.7	5.9	8.6
Losses on disposal of fixed assets	5.0	1.8	–
Net foreign exchange loss	0.5	1.3	–
Impairment loss [b]	–	4,088.8	–
	2,207.2	6,324.2	2,283.5

	Year ended 31 March		
	2022	2023	2024
	£m	£m	£m
Other income and gains:			
Reversal of impairment loss [b]	1,707.0	–	140.4
Profits on disposal of fixed assets	–	–	14.1
	1,707.0	–	154.5

(a) The audit fees are paid to the statutory auditors for group reporting and statutory audits. Fees related to the Transaction are borne by RemainCo.

(b) Impairment loss (reversal of impairment loss)

Management considers that the Vodafone UK Business is a single CGU to which goodwill is allocated in its entirety. The reconciliation of the carrying amount of goodwill from the beginning of the Track Record Period to the end of the Track Record Period is disclosed in note 16.

Management determined the recoverable amount of the CGU based on FVLCD, as it was higher than the VIU calculations. 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 the Vodafone UK Business'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.

- Post-tax discount rate is the weighted average cost of capital applied to post-tax cash flows. The assumptions used to develop the 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.

The annual tests of intangible assets with indefinite useful life for impairment were conducted at each year end. The results of the impairment tests are as follows:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Impairment loss (reversal of impairment loss) against:			
Telecommunications licenses	(998.0)	2,422.6	(83.2)
Fixed assets	(415.6)	1,018.9	(34.9)
Right-of-use assets	(293.4)	647.3	(22.3)
	(1,707.0)	4,088.8	(140.4)

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

	Year ended 31 March		
	2022	**2023**	**2024**
Long-term growth rate	1.0%	1.0%	1.0%
Post-tax discount rate	6.5%	7.3%	7.4%

The 31 March 2022 annual impairment test resulted in a reversal of impairment loss of £1,707.0 million against telecommunication licences and other assets, reflecting an expected improvement in free cash flows driven by growth in revenue, continued strong cost control and a recovery from COVID-19 pandemic.

The 31 March 2023 annual impairment test resulted in an impairment loss of £4,088.8 million against telecommunication licences and other assets, primarily resulted from the increased market interest rate increasing the discount rate and challenging market environment exacerbated by the energy crisis.

The 31 March 2024 annual impairment test resulted in a reversal of impairment loss of £140.4 million against telecommunication licences and other assets, mainly attributable to the better-than-expected growth in revenue.

For illustration purposes, if the long-term growth rate and post-tax discount rate applied to the cash flows used in the FVLCD calculations had been 10 basis points lower and 50 basis points higher respectively and all other variables remain unchanged, the increase/decrease in the impairment loss/reversal of impairment loss is as follows:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Long-term growth rate had been 10 basis points lower	100	50	50
Post-tax discount rate had been 50 basis points higher	660	320	350

The sensitivity analysis is for illustration purposes only. It should be noted that in practice assumptions and estimates used in preparing discounted cash flow projection including those used in the FVLCD calculations do not necessarily change in isolation. Actual results in the future may differ materially from the sensitivity analysis.

9 Staff costs

The net costs incurred in respect of employees (including directors) of Perimeter Entities are as follows:

	Year ended 31 March		
	2022	2023	2024
	£m	£m	£m
Wages and salaries	440.9	477.3	525.3
Social security costs	54.6	61.2	63.0
Pension costs (see note 27)	39.9	55.1	62.1
Costs of employee share schemes	10.5	13.9	16.4
Other employees' costs	19.4	20.2	19.4
	565.3	627.7	686.2
Less: Staff costs capitalised	(92.6)	(109.5)	(126.0)
	472.7	518.2	560.2

10 Net finance income (costs)

	Year ended 31 March		
	2022	2023	2024
	£m	£m	£m
Finance income			
Interest income on amounts due from RemainCo [(a)]	3.0	44.3	116.9
Interest on net investment in leases	2.8	3.6	6.0
	5.8	47.9	122.9
Interest expenses and other finance costs			
Interest expenses on amounts due to RemainCo	(1.4)	(12.2)	(25.9)
Interest expenses on lease liabilities	(29.4)	(33.0)	(62.6)
Other finance credits (costs)	(3.7)	2.7	(9.3)
	(34.5)	(42.5)	(97.8)
Net finance income (costs)	(28.7)	5.4	25.1

(a) The significant increase in interest income in the years ended 31 March 2023 and 2024 was primarily due to increase in underlying market interest rates on amounts due from RemainCo than their preceding financial year.

11 Taxation

Income tax credit (charge) represents the sum of the current and deferred taxes.

Tax is charged or credited to the combined income statement, except when it relates to items charged or credited to other comprehensive income or equity directly, in which case the tax is recognised in other comprehensive income or equity directly.

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Tax included in profit or loss:			
UK Corporation Tax credit (charge):			
31 March 2022 and 2023: 19%			
31 March 2024: 25%	(12.5)	59.6	(2.7)
Total current tax credit (charge)	(12.5)	59.6	(2.7)
Deferred tax credit (charge):			
Current year	(458.7)	948.2	(127.6)
Over provision in prior year	–	–	1.7
Impact of change in tax rate [(a)]	242.9	–	–
Total deferred tax credit (charge)	(215.8)	948.2	(125.9)
Total income tax credit (charge)	(228.3)	1,007.8	(128.6)
Tax included in other comprehensive income:			
Current tax credit	0.5	–	–
Total current tax credit	0.5	–	–
Deferred tax credit (charge):			
Origination and reversal of temporary differences	(91.8)	39.3	23.0
Impact of change in tax rate	(19.3)	12.4	–
Total deferred tax credit (charge)	(111.1)	51.7	23.0
Total income tax credit (charge)	(110.6)	51.7	23.0
Tax charged directly to equity:			
Current tax charge	–	–	(1.0)
Deferred tax charge	–	(0.2)	–
Total income tax charge	–	(0.2)	(1.0)

(a) Opening deferred tax balances at 1 April 2021 were remeasured at the substantively enacted tax rate at 31 March 2022 being 25% (1 April 2021: 19%) resulting in a deferred tax credit £242.9 million recognised in the combined income statement.

The actual income tax for the Track Record Period differs from the tax credit (charge) at the standard rate for the reasons set out in the following reconciliation:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Profit (loss) before tax	1,813.9	(4,016.8)	462.8
Tax credit (charge) at standard rate	(344.7)	763.3	(115.8)
Factors affecting tax credit (charge) for the year:			
Permanent difference	4.3	4.7	(14.5)
Remeasurement of deferred tax – change in UK tax rate	242.9	–	–
Effects of the difference in the standard rate and the tax rate used for deferred tax calculation	(130.8)	239.8	–
Over provision in prior year	–	–	1.7
Total tax credit (charge) for the year	(228.3)	1,007.8	(128.6)

Factors affecting the tax charge in future years

The tax rate for the years ended 31 March 2022 and 2023 is 19%, and 31 March 2024 is 25%. The rate used to calculate the closing deferred tax assets (liabilities) at 31 March 2022, 2023 and 2024 is 25%.

In December 2021, the Organisation for Economic Co-operation and Development ("OECD") released model rules for a new global minimum corporate tax framework applicable to multinational enterprise groups with global revenues of over €750 million ("Pillar Two rules"). The UK substantively enacted legislation implementing these rules in June 2023 and the rules apply to the Perimeter Entities from 1 April 2024. Based on the information currently available, as the Perimeter Entities only operate in the UK, the impact of these rules on the Perimeter Entities' tax position is not expected to be material. In accordance with the mandatory exception under the amendment to IAS 12 'International Tax Reform – Pillar Two Model Rules' effective during the year ended 31 March 2024, the Perimeter Entities have not remeasured deferred tax assets and liabilities as a result of the implementation of the Pillar Two rules.

12 Fixed assets

The following table reconciles the movement of fixed assets by asset classes:

	Freehold land & buildings and leasehold improvements £m	Network infrastructure £m	Other assets(a) £m	Assets under construction £m	Total £m
Cost					
At 1 April 2021	282.0	6,083.2	2,495.0	252.6	9,112.8
Additions	–	270.0	256.7	177.4	704.1
Transfers	–	200.7	12.2	(212.9)	–
Disposals	(85.8)	(70.8)	(406.8)	–	(563.4)
At 31 March 2022	196.2	6,483.1	2,357.1	217.1	9,253.5
Additions	–	311.9	273.4	194.7	780.0
Transfers	–	146.4	17.1	(163.5)	–
Disposals	(43.8)	(94.1)	(116.5)	–	(254.4)
At 31 March 2023	152.4	6,847.3	2,531.1	248.3	9,779.1
Additions	–	386.3	245.3	125.4	757.0
Transfers	–	179.2	21.0	(200.2)	–
Reclassification to inventories	–	–	–	(0.5)	(0.5)
Disposals	(0.4)	(61.5)	(10.2)	–	(72.1)
At 31 March 2024	152.0	7,351.3	2,787.2	173.0	10,463.5
Accumulated depreciation and impairment					
At 1 April 2021	253.6	4,561.9	2,049.1	–	6,864.6
Depreciation charges	0.8	448.7	213.1	–	662.6
Reversal of impairment loss (see note 8)	(5.9)	(316.8)	(92.9)	–	(415.6)
Disposals	(80.6)	(65.9)	(405.4)	–	(551.9)
At 31 March 2022	167.9	4,627.9	1,763.9	–	6,559.7
Depreciation charges	0.7	471.3	229.1	–	701.1
Impairment loss (see note 8)	9.3	745.5	264.1	–	1,018.9
Disposals	(39.3)	(94.1)	(114.5)	–	(247.9)
At 31 March 2023	138.6	5,750.6	2,142.6	–	8,031.8
Depreciation charges	0.5	398.1	238.3	–	636.9
Reversal of impairment loss (see note 8)	(0.3)	(25.6)	(9.0)	–	(34.9)
Disposals	(0.2)	(61.5)	(10.0)	–	(71.7)
At 31 March 2024	138.6	6,061.6	2,361.9	–	8,562.1
Net book value					
At 31 March 2022	28.3	1,855.2	593.2	217.1	2,693.8
At 31 March 2023	13.8	1,096.7	388.5	248.3	1,747.3
At 31 March 2024	13.4	1,289.7	425.3	173.0	1,901.4

(a) Net book value of other assets of £593.2 million, £388.5 million and £425.3 million at 31 March 2022, 2023 and 2024 primarily relate to computer software of £496.3 million, £340.5 million and £373.3 million and furniture and fittings of £85.6 million, £42.5 million and £47.5 million at 31 March 2022, 2023 and 2024 respectively.

Included in fixed assets is freehold land with a cost of £9.5 million at 31 March 2022, 2023 and 2024. Freehold land is not depreciated.

13 Leases

As a lessee

The Perimeter Entities lease buildings for retail stores, offices and data centres, network sites and space and accommodation for network infrastructure. In addition, the Perimeter Entities lease fibre and other fixed connectivity for network purposes, to support both backhaul and other internal use, and fixed connectivity services to customers.

The general approach to determining lease term by class of asset is described under critical accounting judgements and key sources of estimation uncertainty in note 6.

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 leases contain no material variable payment clauses.

Right-of-use assets

The following table discloses the balances of right-of-use assets:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Freehold land & buildings and leasehold improvements	935.9	577.2	591.3
Network infrastructure	652.8	368.4	536.5
Other assets	10.9	6.7	9.1
	1,599.6	952.3	1,136.9

Additions of £669.9 million, £789.6 million and £858.0 million are recorded in respect of right-of-use assets for the years ended 31 March 2022, 2023 and 2024 respectively.

Depreciation charges are recorded in respect of right-of-use assets for all years:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Depreciation charges of right-of-use assets (included in "Depreciation and amortisation")			
Freehold land & buildings and leasehold improvements	162.7	185.2	127.3
Network infrastructure	411.2	493.8	481.9
Other assets	4.1	5.1	4.9
	578.0	684.1	614.1

Included in the book value of network infrastructure are assets leased out by the Perimeter Entities under operating leases:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Network infrastructure			
Cost	261.4	260.6	272.9
Accumulated depreciation	(142.7)	(166.9)	(194.2)
Net book value	118.7	93.7	78.7

Income from sub-leasing right-of-use assets recognised in the combined income statement is disclosed as follows:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Income from sub-leasing right-of-use assets	15.0	22.7	19.8

Lease liabilities

The maturity profile of the Perimeter Entities' lease liabilities is as follows:

	As at 31 March		
	2022	2023	2024
	£m	*£m*	*£m*
Within one year	526.9	586.7	619.2
In more than one year but less than two years	347.4	374.8	416.7
In more than two years but less than three years	239.6	230.6	273.9
In more than three years but less than four years	204.3	235.2	251.9
In more than four years but less than five years	195.9	228.4	180.7
In more than five years	382.3	277.5	255.7
	1,896.4	1,933.2	1,998.1
Effect of discounting	(126.2)	(199.4)	(312.4)
Lease liabilities	1,770.2	1,733.8	1,685.7
Presented within:			
Non-current liabilities	1,262.4	1,214.9	1,163.2
Current liabilities	507.8	518.9	522.5
	1,770.2	1,733.8	1,685.7

The Perimeter Entities have no material liabilities under residual value guarantees and makes no material payments for variable payments not included in the lease liabilities.

Interest expenses on lease liabilities for the Track Record Period are disclosed in note 10.

The total cash outflow for leases was:

	Year ended 31 March		
	2022	2023	2024
	£m	*£m*	*£m*
Total cash outflow for leases	684.1	769.5	897.7

Lease commitments

The Perimeter Entities had entered into certain lease commitments with a related party that had not yet commenced at 31 March 2022, 2023 and 2024 (see Note 30).

As a lessor

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

The risks associated with rights that the Perimeter Entities retain in the underlying assets are not considered significant, as the Perimeter Entities have entered into back-to-back sub-leasing arrangements. These sub-leasing arrangements mirror the payment terms in the head lease.

Operating leases as a lessor

The Perimeter Entities' income from operating leases as a lessor is as follows:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Income from operating leases:			
included in "Revenue"	38.7	35.1	30.3
included in "Other expenses and losses"	7.1	6.9	7.4
	45.8	42.0	37.7

The committed amounts to be received from the Perimeter Entities' operating leases (undiscounted lease payments) are as follows:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Maturity			
Within one year	35.8	35.7	29.8
In more than one year but less than two years	21.5	21.7	16.4
In more than two years but less than three years	6.9	8.0	3.8
In more than three years but less than four years	0.8	0.9	0.2
In more than four years but less than five years	0.2	0.1	0.1
In more than five years	0.1	0.1	0.1
	65.3	66.5	50.4

Finance leases as a lessor

The Perimeter Entities' net investments in leases are disclosed in notes 18 and 21.

The maturity profile of the Perimeter Entities' net investment in leases is as follows:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Maturity			
Within one year	51.8	51.5	46.9
In more than one year but less than two years	51.6	45.2	43.5
In more than two years but less than three years	40.2	40.1	39.0
In more than three years but less than four years	35.7	36.2	36.6
In more than four years but less than five years	31.6	34.2	26.8
In more than five years	41.0	29.8	13.5
	251.9	237.0	206.3
Unearned finance income	(7.6)	(21.9)	(27.5)
Net investment in leases	244.3	215.1	178.8

The Perimeter Entities do not have material lease income arising from variable lease payments.

Interest income on net investment in leases is disclosed in the note 10.

14 Telecommunications licences

	£m
Cost	
At 1 April 2021	7,289.3
Additions	196.4
At 31 March 2022, 2023 and 2024	7,485.7
Accumulated amortisation and impairment	
At 1 April 2021	2,496.9
Reversal of impairment loss (see note 8)	(998.0)
At 31 March 2022	1,498.9
Impairment loss (see note 8)	2,422.6
At 31 March 2023	3,921.5
Reversal of impairment loss (see note 8)	(83.2)
At 31 March 2024	3,838.3
Net book value	
At 31 March 2022	5,986.8
At 31 March 2023	3,564.2
At 31 March 2024	3,647.4

The telecommunications licences are considered to have an indefinite useful life since 1 January 2009.

Management tests whether intangible assets that have an indefinite useful life have suffered any impairment on an annual basis and when there is an indication these assets may be impaired. The annual tests of intangible assets with indefinite useful life for impairment were conducted at each year end. The results of the impairment tests are set out in note 8(b).

Please refer to note 6 for critical accounting judgement applied, estimates and assumptions made in assessing whether goodwill and intangible assets that have an indefinite useful life have suffered any impairment.

15 Customer bases

	£m
Cost	
At 1 April 2021 and 31 March 2022, 2023 and 2024	307.3
Accumulated amortisation	
At 1 April 2021 and 31 March 2022, 2023 and 2024	307.3
Net book value	
At 31 March 2022, 2023 and 2024	–

16 Goodwill

	£m
Cost	
At 1 April 2021 and 31 March 2022, 2023 and 2024	648.1
Accumulated impairment	
At 1 April 2021 and 31 March 2022, 2023 and 2024	648.1
Net book value	
At 31 March 2022, 2023 and 2024	–

Management considers that the Vodafone UK Business is a single CGU to which goodwill in entirety is allocated. Goodwill was fully impaired in the opening combined statement of financial position as at 1 April 2021.

Please refer to note 6 for critical accounting judgement applied, estimates and assumptions made in assessing whether goodwill and intangible assets that have an indefinite useful life have suffered any impairment.

17 Deferred tax

The elements of deferred taxation which have been recognised as assets and liabilities in the combined statement of financial position are as follows:

	As at 31 March		
	2022	**2023**	**2024**
	£m	£m	£m
Fixed asset temporary differences	1,729.5	2,091.7	2,000.5
Share-based payments	4.0	2.9	3.2
Other timing differences [(a)]	54.0	64.7	73.3
Total deferred tax assets	1,787.5	2,159.3	2,077.0
Tax amortisation of licences	(1,241.2)	(659.3)	(700.5)
Pension plans	(99.2)	(51.5)	(32.0)
Other timing differences	(8.7)	(10.4)	(9.3)
Total deferred tax liabilities	(1,349.1)	(721.2)	(741.8)
Net deferred tax assets	438.4	1,438.1	1,335.2

(a) The other timing differences (within the deferred tax assets) primarily arose from the expected credit losses allowances.

Deferred tax assets and liabilities have not been discounted.

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

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	£m	£m
Net deferred tax assets at the beginning of the year	765.3	438.4	1,438.1
Amount credited (charged) to the combined income statement	(215.8)	948.2	(125.9)
Amount credited (charged) to other comprehensive income	(111.1)	51.7	23.0
Amount charged directly to equity	–	(0.2)	–
Net deferred tax assets at the end of the year	438.4	1,438.1	1,335.2

The recoverability of the deferred tax assets 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.

Changes in the assumptions which underpin the Perimeter Entities' 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 per year of 5%-10% would not change the total period over which the deferred tax asset will be utilised.

Reconciliation of deferred tax assets

	Fixed asset temporary differences £m	**Share-based payment** £m	**Other timing differences** £m	**Total** £m
At 1 April 2021	1,392.5	2.8	43.1	1,438.4
Amount credited to the combined income statement	337.0	1.2	14.9	353.1
Amount charged to other comprehensive income	–	–	(4.0)	(4.0)
At 31 March 2022	1,729.5	4.0	54.0	1,787.5
Amount credited (charged) to the combined income statement	362.2	(0.9)	8.7	370.0
Amount credited to other comprehensive income	–	–	2.0	2.0
Amount charged directly to equity	–	(0.2)	–	(0.2)
At 31 March 2023	2,091.7	2.9	64.7	2,159.3
Amount credited (charged) to the combined income statement	(91.2)	0.3	7.7	(83.2)
Amount credited to other comprehensive income	–	–	0.9	0.9
At 31 March 2024	2,000.5	3.2	73.3	2,077.0

Reconciliation of deferred tax liabilities

	Tax amortisation of licences £m	**Pension plans** £m	**Other timing differences** £m	**Total** £m
At 1 April 2021	(686.8)	16.0	(2.3)	(673.1)
Amount charged to the combined income statement	(554.4)	(8.1)	(6.4)	(568.9)
Amount charged to other comprehensive income	–	(107.1)	–	(107.1)
At 31 March 2022	(1,241.2)	(99.2)	(8.7)	(1,349.1)
Amount credited (charged) to the combined income statement	581.9	(2.0)	(1.7)	578.2
Amount credited to other comprehensive income	–	49.7	–	49.7
At 31 March 2023	(659.3)	(51.5)	(10.4)	(721.2)
Amount credited (charged) to the combined income statement	(41.2)	(2.6)	1.1	(42.7)
Amount credited to other comprehensive income	–	22.1	–	22.1
At 31 March 2024	(700.5)	(32.0)	(9.3)	(741.8)

18 Other non-current assets

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Pension assets (see note 27)	406.6	214.2	138.3
Trade receivables held at FVOCI (see note 21)	216.2	99.7	82.9
Net investment in leases	195.2	168.3	139.1
Amount due from RemainCo (see note 30)	33.1	–	–
Contract assets (see note 21)	63.6	73.9	59.6
Contract related costs	89.3	76.9	72.0
Prepayments	27.2	40.9	43.3
Other receivables	3.3	36.8	49.9
	1,034.5	710.7	585.1

Contract related costs at each year end are analysed as follows:

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Perimeter Entities' contract related costs comprise:			
Costs incurred to obtain customer contracts	275.0	287.5	278.9
Costs incurred to fulfil customer contracts	3.3	4.8	2.4
	278.3	292.3	281.3
Presented within:			
Other non-current assets	89.3	76.9	72.0
Trade receivables and other current assets	189.0	215.4	209.3
	278.3	292.3	281.3

The amortisation expenses for contract related costs are disclosed in note 8.

19 Cash and cash equivalents

Cash and cash equivalents comprise cash balances which are presented in the combined statement of financial position and combined statement of cash flows.

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Cash in bank	11.2	12.1	74.8
	11.2	12.1	74.8

The Perimeter Entities do not have restricted cash.

20 Inventories

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Finished goods held for resale (net of provision)	112.1	150.0	128.0
	112.1	150.0	128.0

There is no material difference between the carrying value of inventory and its net realisable value.

Inventories are stated after provisions for impairment of:

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Provisions for impairment of inventories	17.9	14.1	10.4

Cost of goods sold included in combined income statement is disclosed in note 8.

21 Trade receivables and other current assets

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Trade receivables carried at amortised cost	388.6	403.7	416.4
Trade receivables held at FVOCI	170.2	132.2	106.8
Net investment in leases	49.1	46.8	39.7
Amounts due from RemainCo [(a)]	2,621.7	2,783.5	2,803.4
Contract assets	411.8	422.4	430.6
Contract related costs	189.0	215.4	209.3
Prepayments	128.2	157.5	147.1
Current tax assets	–	59.6	–
Derivative financial instruments	0.8	–	–
Other receivables	20.3	35.2	57.3
	3,979.7	4,256.3	4,210.6

(a) Amounts due from RemainCo primarily relate to the cash pooling arrangement (see note 4). They also include trade-related balances of £29.2 million, £23.7 million and £26.7 million at 31 March 2022, 2023 and 2024 respectively. These balances are included within "Amounts due from RemainCo" in note 30.

The tables below disclose expected future credit losses for trade receivables carried at amortised cost and contract assets at each year end:

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Trade receivables carried at amortised cost included in "Trade receivables and other current assets"	388.6	403.7	416.4
Trade receivables carried at amortised cost are stated after expected future credit losses of	117.7	97.2	85.1

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Contract assets			
included in "Other non-current asset"	63.6	73.9	59.6
included in "Trade receivables and other current assets"	411.8	422.4	430.6
	475.4	496.3	490.2
Contract assets are stated after expected future credit losses of	6.9	6.4	6.7

The ageing analysis of trade receivables carried at amortised cost, trade receivables held at FVOCI and trade-related balances due from RemainCo based on due date is as follows:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Not Overdue	656.3	502.5	549.4
30 days or less	62.4	47.2	36.8
31-60 days	25.3	14.1	7.9
61-180 days	43.0	40.9	24.9
more than 180 days	17.2	54.6	13.8
	804.2	659.3	632.8

The table above does not include ageing for contract assets as these balances are not overdue. Details of balances included in the ageing analysis above are as follows:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Included in "Trade receivables and other current assets":			
Trade receivables carried at amortised cost	388.6	403.7	416.4
Trade receivables held at FVOCI	170.2	132.2	106.8
Amounts due from RemainCo – Trade-related balances	29.2	23.7	26.7
Included in "Other non-current assets":			
Trade receivables held at FVOCI	216.2	99.7	82.9
	804.2	659.3	632.8

Management of the Perimeter Entities uses ageing by due date as a measure to monitor movement in trade receivables and expected credit loss provision balances. The standard credit period for trade receivables is 30 days or less. Therefore, the ageing analysis will not be significantly different if it were to be disclosed by invoice date.

22 Loans due to RemainCo and other debts

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Loans due to RemainCo	1,713.4	1,847.4	1,823.6
Other debts	1.7	2.0	–
	1,715.1	1,849.4	1,823.6

Loans due to RemainCo are unguaranteed, unsecured and repayable on demand.

23 Trade payables and other current liabilities

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Trade payables	565.4	715.0	515.5
Trade payables due to RemainCo	428.2	454.7	350.8
Other payables due to RemainCo	–	8.3	0.4
Provisions (see note 24)	15.4	12.8	16.9
Other taxes and social security costs	247.2	217.3	290.0
Accruals	369.4	367.7	569.3
Contract liabilities	268.6	238.2	226.7
Derivative financial instruments	–	4.4	12.6
Other payables	60.3	69.3	76.0
	1,954.5	2,087.7	2,058.2

Trade payables are not interest-bearing and are stated at their nominal value.

Materially, all of the amounts of £301.4 million, £268.6 million and £238.2 million recorded as current contract liabilities at 1 April 2021, 2022 and 2023 were recognised as revenue during the years ended 31 March 2022, 2023 and 2024 respectively.

The ageing analysis of trade payables and trade payables due to RemainCo based on invoice date is as follows:

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Less than 31 days	558.7	641.1	682.1
Within 31 to 60 days	105.1	283.7	73.3
Within 61 to 90 days	75.4	102.5	56.2
Over 90 days	254.4	142.4	54.7
	993.6	1,169.7	866.3

The table above does not include ageing for contract liabilities as these are not overdue for payment. Details of balances included in the ageing analysis above are as follows:

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Included in "Trade payables and other current liabilities":			
Trade payables	565.4	715.0	515.5
Trade payables due to RemainCo	428.2	454.7	350.8
	993.6	1,169.7	866.3

24 Provisions

	Asset retirement obligations	Other	Total
	£m	£m	£m
At 1 April 2021	155.4	12.0	167.4
Amount charged to the combined income statement	–	21.5	21.5
Additions	19.9	–	19.9
Transfers	–	(3.6)	(3.6)
Released in the year	(3.1)	(5.1)	(8.2)
Utilised in the year	(6.1)	(7.6)	(13.7)
Unwinding of discount	1.5	–	1.5
At 31 March 2022	167.6	17.2	184.8
Amount charged to the combined income statement	–	10.5	10.5
Additions	17.6	–	17.6
Released in the year	(30.6)	(3.0)	(33.6)
Utilised in the year	(8.9)	(10.7)	(19.6)
Unwinding of discount	3.3	–	3.3
At 31 March 2023	149.0	14.0	163.0
Amount charged to the combined 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)
Unwinding of discount	6.0	–	6.0
At 31 March 2024	163.9	22.3	186.2

Asset retirement obligations are primarily provisions recognised by the Perimeter Entities to decommission their 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 and are long-term in nature; primarily in periods up to 25 years from when the asset is put to use.

Other provisions mainly relate to restructuring activities, for instance onerous non-lease costs associated with vacant leased properties. The majority of the non-current balances at 31 March 2022, 2023 and 2024 are expected to be utilised over next 17, 16 and 15 years respectively.

Provisions are analysed between current and non-current as follows:

	Asset retirement obligations	Other	Total
	£m	£m	£m
Current liabilities	5.9	9.5	15.4
Non-current liabilities	161.7	7.7	169.4
At 31 March 2022	167.6	17.2	184.8
Current liabilities	4.9	7.9	12.8
Non-current liabilities	144.1	6.1	150.2
At 31 March 2023	149.0	14.0	163.0
Current liabilities	5.0	11.9	16.9
Non-current liabilities	158.9	10.4	169.3
At 31 March 2024	163.9	22.3	186.2

25 Other non-current liabilities

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Provisions (see note 24)	169.4	150.2	169.3
Contract liabilities	21.8	29.7	19.3
Other taxes	61.5	84.7	78.0
Other payables	0.3	0.3	0.2
	253.0	264.9	266.8

26 Capital and financial risk management

Financial instruments – financial assets and liabilities

The following table summarises the financial assets and financial liabilities of Perimeter Entities:

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Assets			
Derivatives designated as hedging instruments			
Derivative financial instruments	0.8	–	–
Financial assets at FVOCI			
Trade receivable held at FVOCI	386.4	231.9	189.7
Financial assets at amortised cost			
Trade receivables carried at amortised cost	388.6	403.7	416.4
Amounts owed by RemainCo [a]	2,621.7	2,783.5	2,803.4
Cash and cash equivalents	11.2	12.1	74.8
Other receivables [a]	15.4	32.9	47.3
Total financial assets at amortised cost [b]	3,036.9	3,232.2	3,341.9
Total financial assets	3,424.1	3,464.1	3,531.6

(a) The balances presented in the table only include the portions that are considered as financial assets in the scope of IFRS 9.

(b) The carrying values of financial assets at amortised cost approximate their fair values.

	As at 31 March		
	2022	2023	2024
	£m	£m	£m
Liabilities			
Derivatives designated as hedging instruments			
Derivative financial instruments	–	4.4	12.6
Financial liabilities at amortised cost			
Trade payables	565.4	715.0	515.5
Trade payables due to RemainCo	428.2	454.7	350.8
Other payables due to RemainCo	–	8.3	0.4
Loans due to RemainCo	1,713.4	1,847.4	1,823.6
Other loans	1.7	2.0	–
Accruals	369.4	367.7	569.3
Total financial liabilities at amortised cost [c]	3,078.1	3,395.1	3,259.6
Total financial liabilities	3,078.1	3,399.5	3,272.2

(c) The carrying values of financial liabilities at amortised cost approximate their fair values.

Capital Management

Capital management for the Perimeter Entities was performed by Vodafone TopCo during the Track Record Period. Vodafone TopCo's investment in the Perimeter Entities includes equity presented as "Net parent's investment" and borrowings presented as loans due to RemainCo within "Loans due to RemainCo and other debts" in the combined statement of financial position.

Financial risk management

The Perimeter Entities' treasury function is supported by Vodafone TopCo's treasury function, which provides central access to funding and derivatives for managing their funding requirements and net foreign exchange exposure. Treasury operations are conducted within a framework of policies and guidelines authorised and reviewed by the Vodafone TopCo's Board, most recently in March 2024.

The Perimeter Entities' financial risk management policies seek to reduce their exposure to any future disruption to financial markets, including any future impacts from global economic and political uncertainty and other macro-economic events.

The Perimeter Entities have exposure to the following risks arising from its financial instruments:

– Credit risk

– Liquidity risk

– Market risk

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial asset leading to a financial loss for the Perimeter Entities. The Perimeter Entities are exposed to credit risk from their operating activities and financing activities. The Perimeter Entities consider their maximum exposure to credit risk to be:

		As at 31 March	
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Cash and cash equivalents	11.2	12.1	74.8
Derivative financial instruments	0.8	–	–
Trade receivables	775.0	635.6	606.1
Contract assets	475.4	496.3	490.2
Other receivables [(a)]	15.4	32.9	47.3
Net investment in leases	244.3	215.1	178.8
Amounts due from RemainCo [(a)]	2,621.7	2,783.5	2,803.4
	4,143.8	4,175.5	4,200.6

(a) The balances presented in the table only include the portions that are considered as financial assets in the scope of IFRS 9.

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A– to A+ for the years ended 31 March 2022 and 2023 and A to A+ for the year ended 31 March 2024, based on Standard & Poor's ratings.

While cash and cash equivalents are also subject to expected credit loss provision as per IFRS 9, the identified impairment loss is immaterial.

Derivative financial instruments

The Perimeter Entities have entered into derivative contracts with Vodafone TopCo to hedge their exposure. As a result of this arrangement, the maximum default risk is equal to the value of underlying instruments and is related to the default by Vodafone TopCo which had a Standard and Poor's rating of BBB for the years ended 31 March 2022, 2023 and 2024.

Operating activities

Customer credit risk is managed by the Perimeter Entities which operate policies, procedures and controls relating to customer credit risk management. Outstanding trade receivables and contract assets are regularly reviewed to monitor any changes in credit risk with concentrations of credit risk considered to be limited given that the Perimeter Entities' customer base is large and unrelated.

The Perimeter Entities apply the simplified approach and record lifetime expected credit losses for trade receivables and contract assets. Expected credit losses are measured using historical cash collection data for periods of at least 24 months wherever possible and grouped into various customer segments based on product or customer type.

The historical loss rates are adjusted where macroeconomic factors, for example changes in interest rates or unemployment rates, or other commercial factors are expected to have a significant impact when determining future expected credit loss rates. For trade receivables the expected credit loss provision is calculated using a provision matrix, in which the provision increases as balances age. For receivables paid in instalments and contract assets, a weighted loss rate is calculated to reflect the period over which the amounts are due for payment by the customer.

Trade receivables and contract assets are written off when Perimeter Entities determine there is no reasonable expectation of recovery and enforcement activity has ceased. For balances receivable from RemainCo, management of the Perimeter Entities has determined expected credit losses to be insignificant, and therefore they have not been presented in the analysis that follows in the tables below.

Movement in expected credit losses during the Track Record Period is as follows:

	Contract assets	**Trade receivables carried at amortised cost**	**Trade receivables held at FVOCI**
	£m	*£m*	*£m*
At 1 April 2021	12.3	132.2	–
Amounts charged (credited) to credit losses on financial assets	(5.2)	110.7	36.7
Others [(a)]	(0.2)	(125.2)	–
At 31 March 2022	6.9	117.7	36.7
Amounts charged to credit losses on financial assets	2.6	107.7	70.7
Others [(a)]	(3.1)	(128.2)	–
At 31 March 2023	6.4	97.2	107.4
Amounts charged to credit losses on financial assets	0.4	93.4	48.6
Others [(a)]	(0.1)	(105.5)	–
At 31 March 2024	6.7	85.1	156.0

(a) Others primarily represent the utilisation of the provision by way of write-off.

The following table provides other comprehensive income reserve movement related to trade receivables held at FVOCI during the Track Record Period:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Balance at the beginning of the year	–	6.3	3.7
Impairment losses	36.7	70.7	48.6
Amounts reclassified to combined income statement	(1.7)	0.1	0.5
Change in fair value recognised in the other comprehensive income:			
Credit risk	(21.4)	(73.8)	(50.3)
Risk free rate	(5.2)	(0.3)	6.1
Related income tax	(2.1)	0.7	(1.2)
Balance at the end of the year	6.3	3.7	7.4

During the Track Record Period, the following losses (gains) were recognised in combined income statement in relation to financial and contract assets:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Trade receivables carried at amortised cost: Increase in credit loss allowance	110.7	107.7	93.4
Trade receivables held at FVOCI:			
Impairment loss	36.7	70.7	48.6
Amounts reclassified to combined income statement	(1.7)	0.1	0.5
Contract assets:			
Increase (decrease) in credit loss allowance	(5.2)	2.6	0.4
Net impairment losses on financial and contract assets	140.5	181.1	142.9

Expected credit losses are presented as net impairment losses on financial and contract assets within "Other expenses and losses" and subsequent recoveries of amounts previously written off are credited against the same line item.

The majority of the Perimeter Entities' trade receivables are due for maturity within 30 days and largely comprise amounts receivable from consumers and business customers.

The table below presents information on trade receivables measured at amortised cost days past due and their associated expected credit losses. The table below does not include contract assets balances as these balances are not overdue.

	Trade receivables carried at amortised cost					
	Not overdue	**30 days or less**	**31-60 days**	**61-180 days**	**180 days+**	**Total**
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
At 31 March 2022						
Gross carrying amount	308.1	47.3	23.4	65.4	62.1	506.3
Expected credit loss allowance	(21.8)	(8.7)	(8.3)	(37.1)	(41.8)	(117.7)
Net carrying amount	286.3	38.6	15.1	28.3	20.3	388.6
At 31 March 2023						
Gross carrying amount	342.6	28.6	15.8	53.2	60.7	500.9
Expected credit loss allowance	(4.6)	(6.8)	(7.6)	(35.5)	(42.7)	(97.2)
Net carrying amount	338.0	21.8	8.2	17.7	18.0	403.7
At 31 March 2024						
Gross carrying amount	394.0	13.0	10.5	39.6	44.4	501.5
Expected credit loss allowance	(9.9)	(4.9)	(5.6)	(26.4)	(38.3)	(85.1)
Net carrying amount	384.1	8.1	4.9	13.2	6.1	416.4

The table below presents information on trade receivables held at FVOCI days past due. The carrying value of these trade receivables represents their fair value.

	Trade receivables held at FVOCI					
	Not overdue	**30 days or less**	**31-60 days**	**61-180 days**	**180 days+**	**Total**
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
At 31 March 2022						
Carrying amount	358.2	6.8	6.2	14.6	0.6	386.4
At 31 March 2023						
Carrying amount	158.0	6.6	5.9	20.3	41.1	231.9
At 31 March 2024						
Carrying amount	164.4	3.5	3.0	11.6	7.2	189.7

Liquidity risk

The Perimeter Entities maintain cash and cash equivalents which amounted to £11.2 million, £12.1 million and £74.8 million at 31 March 2022, 2023 and 2024 respectively.

The maturity profile of the anticipated future cash flows including interest in relation to the Perimeter Entities' non-derivative financial liabilities on an undiscounted basis (which differs from both the carrying value and fair value) is as follows:

	Lease liabilities £m	Trade and other payables due to RemainCo £m	Loans due to RemainCo £m	Trade payables £m	Other loans £m	Total £m
At 31 March 2022						
Within one year	526.9	428.2	1,713.4	565.4	1.7	3,235.6
In one to two years	347.4	–	–	–	–	347.4
In two to three years	239.6	–	–	–	–	239.6
In three to four years	204.3	–	–	–	–	204.3
In four to five years	195.9	–	–	–	–	195.9
In more than five years	382.3	–	–	–	–	382.3
	1,896.4	428.2	1,713.4	565.4	1.7	4,605.1
Effect of discounting/ financing rates	(126.2)	–	–	–	–	(126.2)
	1,770.2	428.2	1,713.4	565.4	1.7	4,478.9
At 31 March 2023						
Within one year	586.7	463.0	1,847.4	715.0	2.0	3,614.1
In one to two years	374.8	–	–	–	–	374.8
In two to three years	230.6	–	–	–	–	230.6
In three to four years	235.2	–	–	–	–	235.2
In four to five years	228.4	–	–	–	–	228.4
In more than five years	277.5	–	–	–	–	277.5
	1,933.2	463.0	1,847.4	715.0	2.0	4,960.6
Effect of discounting/ financing rates	(199.4)	–	–	–	–	(199.4)
	1,733.8	463.0	1,847.4	715.0	2.0	4,761.2

	Lease liabilities £m	Trade and other payables due to RemainCo £m	Loans due to RemainCo £m	Trade payables £m	Total £m
At 31 March 2024					
Within one year	619.2	351.2	1,823.6	515.5	3,309.5
In one to two years	416.7	–	–	–	416.7
In two to three years	273.9	–	–	–	273.9
In three to four years	251.9	–	–	–	251.9
In four to five years	180.7	–	–	–	180.7
In more than five years	255.7	–	–	–	255.7
	1,998.1	351.2	1,823.6	515.5	4,688.4
Effect of discounting/ financing rates	(312.4)	–	–	–	(312.4)
	1,685.7	351.2	1,823.6	515.5	4,376.0

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Perimeter Entities' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate management

The Perimeter Entities are exposed to interest rate risks on account of variable interest borrowings from and to RemainCo.

The following table details the Perimeter Entities' sensitivity to interest rate risk.

	Profit (loss) before tax Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Change in basis points			
+100	22.1	22.6	22.6
–100	(22.1)	(22.6)	(22.6)

Foreign exchange management

The Perimeter Entities primarily enter into transactions in their functional currency, pound sterling. While the operation of the Perimeter Entities is based in the UK, the foreign exchange exposure arises from sale and purchase transactions denominated in foreign currencies. Where there are foreign currency risks due to a mismatch between the currencies in which sales and purchases are entered into and the functional currency of the Perimeter Entities i.e., pound sterling, the risk is managed by entering into foreign exchange derivative contracts. Cash and cash equivalents are denominated in pound sterling at 31 March 2022, 2023 and 2024.

The summary quantitative information about the Perimeter Entities' exposure to foreign currency risk reported to the management of the Perimeter Entities is as follows:

	As at 31 March 2022		
	Euro	**USD**	**Total**
	£m	*£m*	*£m*
Trade and other receivables carried at amortised cost	6.9	18.2	25.1
Trade and other payables	(10.8)	(28.1)	(38.9)
Net statement of financial position exposure	(3.9)	(9.9)	(13.8)

	As at 31 March 2023		
	Euro	**USD**	**Total**
	£m	*£m*	*£m*
Trade and other receivables carried at amortised cost	–	11.0	11.0
Trade and other payables	(5.3)	(23.3)	(28.6)
Net statement of financial position exposure	(5.3)	(12.3)	(17.6)

	As at 31 March 2024		
	Euro	**USD**	**Total**
	£m	*£m*	*£m*
Trade and other receivables carried at amortised cost	–	10.9	10.9
Trade and other payables	4.5	22.8	27.3
Net statement of financial position exposure	4.5	33.7	38.2

The following table details the Perimeter Entities' sensitivity to foreign exchange risk.

	Equity As at 31 March			Profit (loss) after tax Year ended 31 March		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
USD						
Exchange rate	0.7595	0.8088	0.7916	0.7341	0.8304	0.7948
Strengthening (1%)	(0.1)	(0.1)	0.2	(0.1)	(0.1)	0.2
Weakening (1%)	0.1	0.1	(0.2)	0.1	0.1	(0.2)

The Perimeter Entities have also entered into derivative contracts with Vodafone TopCo to hedge their exposure to change in foreign exchange rates. This has resulted in recognition of immaterial derivative assets of £0.8 million at 31 March 2022 and derivative liabilities of £4.4 million and £0.9 million at 31 March 2023 and 2024 respectively. The corresponding nominal amount of these derivative contracts are £63.0 million, £81.7 million and £76.8 million at 31 March 2022, 2023 and 2024 respectively.

During the year ended 31 March 2024, the Perimeter Entities have also entered into derivative contracts with Vodafone TopCo to hedge their exposure to change in energy prices resulting in recognition of derivative liabilities of £11.7 million with a nominal amount of £33.9 million at 31 March 2024.

Fair value and carrying value information

The following table shows the carrying amounts and fair values of financial assets that are carried at fair value, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised cost where the carrying amount is a reasonable approximation of fair value.

	As at 31 March 2022		As at 31 March 2023		As at 31 March 2024	
	Fair value – level 2	**Carrying amount**	**Fair value – level 2**	**Carrying amount**	**Fair value – level 2**	**Carrying amount**
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Financial assets						
Trade receivables held at FVOCI	386.4	386.4	231.9	231.9	189.7	189.7

There have been no transfers between levels of the fair value hierarchy as per IFRS 13 "Fair Value Measurement" in the Track Record Period.

Trade receivables held at FVOCI are held at fair value at level 2 which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reported in the combined statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Financial assets and financial liabilities are generally reported gross in the combined statement of financial position except when IFRS netting criteria is met.

The offsetting right is a legal right to settle, or otherwise eliminate, all or a portion of an amount due, by applying an amount receivable from the same counterparty against it, thus reducing credit exposure.

The Perimeter Entities have balances due to and from RemainCo that meet the netting off criteria. The following table summarises the balances subject to netting off:

	Amount before offsetting	Offsetting	Net amount recognised in combined statement of financial position
	£m	*£m*	*£m*
At 31 March 2022			
Amounts due from RemainCo	2,727.3	(72.5)	2,654.8
Trade and other payables due to RemainCo	(500.7)	72.5	(428.2)
Loans due to RemainCo	(1,713.4)	–	(1,713.4)
At 31 March 2023			
Amounts due from RemainCo	2,838.9	(55.4)	2,783.5
Trade and other payables due to RemainCo	(512.4)	49.4	(463.0)
Loans due to RemainCo	(1,853.4)	6.0	(1,847.4)
At 31 March 2024			
Amounts due from RemainCo	3,037.5	(234.1)	2,803.4
Trade and other payables due to RemainCo	(562.6)	211.4	(351.2)
Loans due to RemainCo	(1,846.3)	22.7	(1,823.6)

27 Pension plans

Vodafone UK offers pension plans to its employees. The pension plans include both defined benefit and defined contribution arrangements.

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Expense (income) recorded in the combined income statement			
Defined contribution plans	55.8	59.8	66.9
Defined benefit plans (net of interest income)	(15.9)	(4.7)	(4.8)
	39.9	55.1	62.1

Defined contribution plans

Defined contribution plans offer employees individual funds that are converted into benefits at the time of retirement. No amount was accrued, but not paid, in respect of pension plans as at 31 March 2022, 2023 and 2024.

Defined benefit plans

Overview

Defined benefit plans provide benefits based on the employees' length of pensionable service and their final pensionable salary or other criteria.

The defined benefit plans are administered by Trustee Boards that are legally separated from the Perimeter Entities. The Trustee Board of each pension plan consists of representatives who are employees, former employees or are independent from the Perimeter Entities. The Boards of the pension plans 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 UK's main defined benefit plan is Vodafone Pension Plan. There are two segregated sections of the Vodafone Pension Plan, the pre-existing assets and liabilities of the Vodafone Pension Plan in the Vodafone Section and the former Cable & Wireless Worldwide Retirement Plan ("CWWRP") assets and liabilities, which were transferred into the Vodafone Pension Plan on 6 June 2014, in the CWW Section, with the CWWRP then being wound up. The pre-existing Vodafone Pension Plan and the former CWWRP plan closed to future accrual on 31 March 2010 and 30 November 2013 respectively.

Regulation and valuation

The Vodafone Pension Plan is registered as an occupational pension plan with HM Revenue & Customs ("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 Pension Plan were carried out at 31 March 2022, by an independent actuary appointed by the plan trustee. These valuations revealed a net surplus of £248 million on the funding basis, comprising of a £97 million surplus for the Vodafone Section and a £151 million surplus for the CWW Section. No further contributions are due in respect of the Vodafone Pension Plan at 31 March 2022, 2023 and 2024. The next actuarial valuation has an effective date of 31 March 2025.

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

Vodafone UK 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 payment liabilities of the plans over the long term. Vodafone UK has a funding commitment of £4.1 million for the years ended 31 March 2023 and 2024, and £4.0 million for the year ending 31 March 2025 to the THUS Group Plc Pension Scheme.

Investment strategy and risks

The investment strategy for the UK plans is controlled by the trustees in consultation with Vodafone UK and the plans have no direct investments in Vodafone TopCo's equity securities, property or other assets currently used by RemainCo and the Perimeter Entities. 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 in a diversified mix of growth assets which, over the long term, are expected to grow higher in value 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 Section of the Vodafone Pension 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.

During the year ended 31 March 2023, there were significant movements in UK gilt markets – in particular the "mini budget" announced by the UK government on 23 September 2022 caused rapid sales of government bonds which further depressed gilt markets. Although a temporary intervention by the Bank of England and subsequent policy changes stabilised the market, gilt yields increased significantly in a short period of time. This triggered an increase in collateral calls for pension schemes that, like the Vodafone Pension Plan, used liability driven investment ("LDI") strategies to hedge their interest rate risks.

In response to the risk of potential future collateral calls, on 18 October 2022, Vodafone TopCo entered into short-term liquidity facilities with both sections of the Vodafone Pension Plan for an aggregate amount of £450 million. These facilities were put in place for short-term liquidity purposes, with the intention of reducing the risk should the UK plan be required to dispose of assets at short notice in the event of significant increases in gilt yields. Drawings could be made from the facility until 27 January 2023, with all amounts borrowed required to be repaid by 28 February 2023. No amounts were drawn under these facilities.

There has been reduced volatility in gilt yields since the end of 2022, although, the level of yields are significantly higher than they were at 31 March 2022. This has resulted in a decrease in the value of the assets, and also liabilities in respect of the Vodafone Pension Plan at 31 March 2023.

The key risks in relation to the Vodafone Pension Plan are set out below, alongside a summary of the steps taken to mitigate each risk.

Risk description	Mitigation
Investment strategy risk Underperformance of the investment strategy relative to the changes in the Vodafone Pension Plan's liabilities, which are sensitive to interest rates and inflation, potentially leading to shortfalls in meeting pension obligations.	The plan adopts a LDI framework, by investing in assets that aim to match the characteristics of the Vodafone Pension Plan's liabilities. This can help to hedge the risk of future changes in interest rate and inflation and also reduce balance sheet volatility.
Longevity risk Pensions paid by the Vodafone Pension Plan are guaranteed for life, and, therefore, if members are expected to live longer, the liabilities increase.	The Vodafone Pension Plan's funding targets include a margin for prudence to reflect uncertainty in future life expectancy. Both sections of the Vodafone Pension Plan have pensioner annuity policies which help reduce exposure to changes in longevity. Longevity risk is also monitored by the trustees on a regular basis through its risk management framework.
Regulatory risk Changes in pension regulations and accounting standards can impact the Perimeter Entities' pension obligations and reporting requirements.	There is open communication with the trustees and advisors of the Vodafone Pension Plan to understand the impact of any changes in regulation and proactively address potential resulting risks.

Impact on the combined income statement and combined statement of comprehensive income

Amounts recognised in the combined income statement and the combined statement of comprehensive income in respect of defined benefit pension plans are analysed as follows:

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Current service costs	1.0	0.7	0.4
Net past service credits [(a)]	(21.2)	–	–
Net interest income	(0.2)	(10.5)	(10.0)
Administration expenses	4.5	5.1	4.8
Total net credit recognised in the combined income statement	(15.9)	(4.7)	(4.8)
Total actuarial (gains) losses recognised in the combined statement of comprehensive income	(461.9)	202.1	85.6

(a) Net past service credits for the Vodafone Pension Plan were recognised in the year ended 31 March 2022. These credits were in relation to the offer of a pension increase exchange to all members at retirement and benefit clarifications.

Actuarial assumptions

IAS 19 valuations of the defined benefit pension plans operated by Vodafone UK have been prepared at the respective year end by qualified independent actuaries, ISIO Group. Plan liabilities are measured using the projected unit credit method; the principal actuarial assumptions are set out below:

	As at 31 March		
	2022	**2023**	**2024**
	%	*%*	*%*
Weighted average actuarial assumptions used			
Rate of inflation	3.5	3.2	3.2
Rate of increase in salaries	3.4	2.9	3.0
Discount rate	2.6	4.7	4.8

The assumptions regarding mortality in retirement for the Vodafone Pension Plan as at 31 March 2022, 2023 and 2024 use the S3PXA tables with scheme specific adjustments, subject to improvements in line with the CMI 2018 (used for 31 March 2022), CMI 2021 (used for 31 March 2023) and CMI 2022 (used for 31 March 2024) and a longer-term trend rate 1.5% per annum (used for 31 March 2022 and 31 March 2023) and 1.25% per annum (used for 31 March 2024) and smoothing factor 7.5, for both males and females.

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

	As at 31 March		
	2022 years	2023 years	2024 years
Male	23.4	22.7	22.5
Female	25.4	24.7	24.2

Based on these assumptions, the life expectancy from age 65 for non-pensioner member currently aged 40 (i.e., who are retiring in 25 years) are as follows:

	As at 31 March		
	2022 years	2023 years	2024 years
Male	25.3	23.8	23.5
Female	27.4	25.6	25.4

The table below provides an analysis of the net surplus (deficit) for Vodafone UK as a whole:

	As at 31 March		
	2022 £m	2023 £m	2024 £m
Total market value of assets	4,754.3	3,046.0	2,930.9
Present value of scheme liabilities	(4,354.0)	(2,838.3)	(2,799.1)
Net surplus over funded obligations	400.3	207.7	131.8
Represented by:			
Schemes with excess of assets over obligations (see note 18)	406.6	214.2	138.3
Schemes with excess of obligations over assets	(6.3)	(6.5)	(6.5)
	400.3	207.7	131.8

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 Perimeter Entities either in the form of future refunds or, for plans still open to benefit accruals, in the form of possible reductions in future contributions, at each year end.

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

The amount included in the combined statement of financial position arising from Vodafone UK's obligations in respect of its defined benefit plans is as follows:

	Assets £m	Liabilities £m	Net surplus (deficit) £m
At 1 April 2021	4,757.6	(4,839.8)	(82.2)
Service cost	–	(1.0)	(1.0)
Past service credit	–	21.2	21.2
Interest income (expenses)	96.2	(96.0)	0.2
Return on plan assets excluding interest income	46.1	–	46.1
Actuarial gains arising from changes in financial assumptions	–	331.2	331.2
Actuarial gains arising from changes in demographic assumptions	–	5.7	5.7
Actuarial gains arising from experience adjustments	–	78.9	78.9
Employer cash contributions	4.7	–	4.7
Member cash contributions	0.1	(0.1)	–
Benefits paid	(145.9)	145.9	–
Expenses paid	(4.5)	–	(4.5)
At 31 March 2022	4,754.3	(4,354.0)	400.3

	Assets £m	Liabilities £m	Net surplus (deficit) £m
At 1 April 2022	4,754.3	(4,354.0)	400.3
Service cost	–	(0.7)	(0.7)
Interest income (expenses)	123.0	(112.5)	10.5
Return on plan assets excluding interest income	(1,707.7)	–	(1,707.7)
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 cash contributions	4.8	–	4.8
Member cash contributions	0.1	(0.1)	–
Benefits paid	(123.4)	123.4	–
Expenses paid	(5.1)	–	(5.1)
At 31 March 2023	3,046.0	(2,838.3)	207.7

	Assets £m	Liabilities £m	Net surplus (deficit) £m
At 1 April 2023	3,046.0	(2,838.3)	207.7
Service cost	–	(0.4)	(0.4)
Interest income (expenses)	140.4	(130.4)	10.0
Return on plan assets excluding interest income	(157.4)	–	(157.4)
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 gains arising from experience adjustments	–	(7.3)	(7.3)
Employer cash contributions	4.9	–	4.9
Member cash contributions	0.1	(0.1)	–
Benefits paid	(98.3)	98.3	–
Expenses paid	(4.8)	–	(4.8)
At 31 March 2024	2,930.9	(2,799.1)	131.8

Fair value of pension assets

The analysis of fair value of pension assets by asset class is as follows:

	As at 31 March		
	2022 £m	2023 £m	2024 £m
Cash and cash equivalents	8.7	7.6	10.0
Equity investments:			
With quoted prices in an active market	489.8	47.9	110.1
Debt instruments:			
With quoted prices in an active market	884.8	345.5	577.9
Property:			
With quoted prices in an active market	24.3	14.7	13.5
Without quoted prices in an active market	299.0	290.8	206.1
Derivatives:			
Without quoted prices in an active market	1,463.2	1,252.3	1,090.8
Investment fund:			
With quoted prices in an active market	688.6	401.6	398.0
Without quoted prices in an active market	178.0	180.1	34.3
Annuity policies:			
Without quoted prices in an active market	717.9	505.5	490.2
	4,754.3	3,046.0	2,930.9

Duration of the benefit obligations

The weighted average duration of the defined benefit obligation is disclosed as below:

	As at 31 March		
	2022	**2023**	**2024**
	years	*years*	*years*
Weighted average duration of the defined benefit obligation	22.3	17.1	16.2

Sensitivity analysis

Measurement of the 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 (decrease) in the present value of the defined benefit obligation at each year end.

	Rate of inflation		**Discount rate**		**Life expectancy**	
	Decrease by 0.5%	**Increase by 0.5%**	**Decrease by 0.5%**	**Increase by 0.5%**	**Decrease by 1 year**	**Increase by 1 year**
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
At 31 March 2022	(356.7)	352.1	495.8	(429.9)	(159.1)	158.5
At 31 March 2023	(139.7)	168.1	250.4	(221.7)	(83.7)	82.9
At 31 March 2024	(146.4)	156.2	228.5	(202.8)	(76.2)	75.8

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 for each year presented 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 combined statement of financial position.

28 Share-based payments

The Perimeter Entities currently use a number of equity-settled share plans to grant a right to acquire shares in Vodafone TopCo to its directors and employees. These include:

Share options

Vodafone Group Executive Plans

No share options have been granted to any directors or employees under the Perimeter Entities' discretionary share option plans in the years ended 31 March 2022, 2023 and 2024.

Vodafone Group Sharesave Plan

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

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.

Vodafone Share Incentive Plan

The Vodafone Share Incentive Plan enabled staff to acquire shares in Vodafone TopCo through monthly purchases of up to £125 per month or 5% of salary, whichever is lower. For each share purchased by the employee, Vodafone TopCo provided a free matching share. Following a review of the Vodafone Share Incentive Plan, it was decided that, from 1 April 2017, employees would no longer be able to purchase shares under this plan and would no longer receive matching shares.

IFRS 2 "Share-based payment" requires that equity-settled share-based payments issued to the Perimeter Entities' employees are measured at fair value and that this value is expensed over the vesting period, with an equivalent credit taken directly in net parent's investment. On vesting of the shares, the Perimeter Entities are charged the intrinsic value of the share by Vodafone TopCo.

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 of the Vodafone UK Business's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Rights to shares are granted under share plans such as Vodafone Group executive plan and Vodafone Share Incentive Plan. Rights to shares granted to the employees of the Perimeter Entities under Vodafone Group executive plan 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 the Vodafone Group'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 TopCo's shares on the day prior to the grant date, adjusted for the present value of the delay in receiving dividends where appropriate.

29 Notes to the combined statement of cash flows

(a) Reconciliation of profit (loss) after tax to cash generated from operating activities before finance income, interest expenses and other finance costs, tax paid and changes in working capital

	Year ended 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Profit (loss) after tax	1,585.6	(3,009.0)	334.2
Adjustments for:			
Current tax charge (credit)	12.5	(59.6)	2.7
Deferred tax charge (credit)	215.8	(948.2)	125.9
Finance income	(5.8)	(47.9)	(122.9)
Interest expenses and other finance costs	34.5	42.5	97.8
Depreciation and amortisation	1,476.1	1,650.0	1,531.0
EBITDA (LBITDA) (see note 7)	3,318.7	(2,372.2)	1,968.7
Contract related costs capitalised in the year	(271.1)	(278.8)	(269.0)
Losses (profits) on disposal of fixed assets (see note 8)	5.0	1.8	(14.1)
Share-based payments and other non-cash charges	19.0	10.7	21.3
Impairment loss (reversal of impairment loss) (see note 8)	(1,707.0)	4,088.8	(140.4)
	1,364.6	1,450.3	1,566.5

(b) Changes in working capital

	Year ended 31 March		
	2022	2023	2024
	£m	£m	£m
Decrease (increase) in inventories	27.4	(39.6)	28.4
Decrease (increase) in trade receivables and other current assets	219.0	59.9	(69.1)
Increase (decrease) in trade payables and other current liabilities	(201.9)	220.2	97.1
	44.5	240.5	56.4

(c) Changes in liabilities arising from financing activities

	Lease liabilities	Other debts	Loans due to RemainCo	Total
	£m	£m	£m	£m
At 1 April 2021	1,969.3	10.9	1,705.2	3,685.4
Financing cash flows				
New borrowings	–	1.7	11.4	13.1
Repayment of borrowings	–	(10.9)	(4.1)	(15.0)
Principal elements of lease payments	(650.0)	–	–	(650.0)
Operating cash flows				
Interest paid	(34.1)	–	–	(34.1)
Non-cash movements				
Interest costs	29.4	–	1.4	30.8
Lease additions and other adjustments	455.6	–	–	455.6
Others	–	–	(0.5)	(0.5)
At 31 March 2022	1,770.2	1.7	1,713.4	3,485.3
Financing cash flows				
New borrowings	–	2.0	14.6	16.6
Repayment of borrowings	–	(1.7)	–	(1.7)
Principal elements of lease payments	(731.1)	–	–	(731.1)
Operating cash flows				
Interest paid	(38.4)	–	–	(38.4)
Non-cash movements				
Interest costs	33.0	–	12.2	45.2
Lease additions and other adjustments	700.1	–	–	700.1
Others [(a)]	–	–	107.2	107.2
At 31 March 2023	1,733.8	2.0	1,847.4	3,583.2
Financing cash flows				
New borrowings	–	–	21.2	21.2
Repayment of borrowings	–	(2.0)	(25.9)	(27.9)
Principal elements of lease payments	(835.1)	–	–	(835.1)
Operating cash flows				
Interest paid	(62.6)	–	–	(62.6)
Non-cash movements				
Interest costs	62.6	–	25.9	88.5
Lease additions and other adjustments	787.0	–	–	787.0
Others [(a)]	–	–	(45.0)	(45.0)
At 31 March 2024	1,685.7	–	1,823.6	3,509.3

(a) Others represent group tax relief balances converted into Loans due to RemainCo during the year ended 31 March 2023 and 2024.

30 Related party transactions

The Perimeter Entities have a number of related parties including pension plans (see note 27) and key management personnel. The nature of relationship with RemainCo is disclosed in note 2 and 3.

The transactions with related parties, other than with pension plans (see note 27), are stated as follows. Details of loans drawdown and repaid during the Track Record Period are disclosed in "Changes in liabilities arising from financial activities" within note 29.

	Year ended 31 March		
	2022	2023	2024
	£m	*£m*	*£m*
Transactions with RemainCo:			
Sale of goods and services	96.2	108.8	85.3
Purchase of goods and services	(1,071.5)	(1,134.0)	(980.3)
Interest income	5.0	46.9	117.3
Interest expenses	(13.8)	(16.1)	(31.6)

	Year ended 31 March 2024
	£m
Transactions with Cornerstone Telecommunications Infrastructure Limited ("CTIL") [(a)]:	
Purchase of goods and services	(228.5)
Interest income	4.6
Interest expenses	(15.1)

(a) Following the deconsolidation of Vantage Towers AG by Vodafone TopCo on 22 March 2023, CTIL, which was accounted for as a joint operation by RemainCo prior to this date, became an associated company of RemainCo. Transactions with CTIL primarily comprise fees for the provision and/or management of tower space infrastructure to the Vodafone UK Business. Transactions with CTIL between 22 March 2023 and 31 March 2023 were not significant, and therefore are not disclosed separately.

The balances with related parties, other than with pension plans (see note 27), are stated as follows:

	As at 31 March		
	2022	2023	2024
	£m	*£m*	*£m*
Balances due from RemainCo:			
Amounts due from RemainCo [(a)]	2,654.8	2,783.5	2,803.4
Derivative financial instruments	0.8	–	–
Net investment in finance leases	180.2	–	–
Balances due to RemainCo:			
Trade and other payables	(428.2)	(463.0)	(351.2)
Derivative financial instruments	–	(4.4)	(12.6)
Loans	(1,713.4)	(1,847.4)	(1,823.6)
Lease liabilities	(736.2)	–	–

(a) Amounts due from RemainCo are unsecured and repayable on demand.

	As at 31 March	
	2023	2024
	£m	*£m*
Balances due from CTIL:		
Trade and other receivables	40.6	45.8
Net investment in finance leases	146.4	128.3
Balances due to CTIL:		
Trade and other payables	(27.7)	(7.3)
Lease liabilities	(756.4)	(624.2)

Details of guarantees given to the related parties

Vodafone TopCo has furnished performance guarantees of £30.2 million, £132.8 million and £139.1 million to external parties on behalf of the Vodafone UK Business at 31 March 2022, 2023 and 2024, respectively. These guarantees are backed by the Vodafone UK Business through back-to-back guarantee agreements with Vodafone TopCo.

Lease commitments

The Perimeter Entities had entered into lease commitments with CTIL with undiscounted payment obligations totaling £26.2 million, £16.5 million and £6.9 million, that had not yet commenced at 31 March 2022, 2023 and 2024, respectively.

Transactions with key management personnel ("KMPs")

For the Perimeter Entities, the Board of Directors of Vodafone UK and UK General Management Team are considered as KMPs.

Aggregate compensation for KMPs are as follows:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Short-term employee benefits	7.1	7.1	7.9
Share-based payment	1.3	2.0	2.1
	8.4	9.1	10.0

31 Commitments, contingencies, and legal proceedings

Capital commitments

The amounts below are the minimum amounts that the Perimeter Entities are committed to pay:

	As at 31 March		
	2022	**2023**	**2024**
	£m	*£m*	*£m*
Contracts for future capital expenditure not provided in the Historical Financial Information	106.5	115.9	107.6

The Perimeter Entities had also entered into certain lease commitments with a related party that had not yet commenced at 31 March 2022, 2023 and 2024 (see note 30).

Contingent matters

(a) In December 2018, the administrators of former UK indirect seller, Phones 4U, sued three of the UK mobile network operators ("MNOs"), including Vodafone UK, 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 UK's and Vodafone TopCo's favour and rejected Phones 4U's allegations that the defendants were in breach of competition law, consistent with Vodafone UK's and Vodafone TopCo'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 UK and Vodafone TopCo intend to vigorously defend the appeal and are not able to estimate any possible loss in the event of an adverse judgment on appeal.

(b) 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 TopCo and Vodafone UK are named defendants to one of the claims with an alleged value of £1.4 billion, including interest. It is alleged that Vodafone UK, Vodafone TopCo 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 UK's and Vodafone TopCo's assessment is that the allegations are without merit and Vodafone UK and Vodafone TopCo intend to defend the claim. Vodafone UK and Vodafone TopCo are currently unable to estimate any possible loss in regards to this issue but, while the outcome is uncertain, Vodafone UK and Vodafone TopCo believe it is probable that no present obligation exists.

(c) Vodafone UK has a possible exposure amounting to £36 million, £30 million and £23 million relating to certain bad debts as at 31 March 2022, 2023 and 2024, respectively. Vodafone UK is confident that it can provide sufficient information to defend its position where required, therefore no provision has been recorded in the Historical Financial Information.

32 Events after the Reporting Periods

Network sharing

In June 2024, Vodafone UK 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 Transaction, 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 Vodafone UK Business 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.

Change of immediate parent entity

In contemplation of the Transaction, all shares in Vodafone UK were transferred from Vodafone to MergeCo (which is ultimately controlled by Vodafone TopCo) on 2 September 2024.

Review by the UK Competition and Markets Authority (the "CMA")

The Company notes that the review by the CMA is still underway. The CMA issued provisional findings and a notice of possible remedies on 13 September 2024. This is not a final decision, and the parties will continue to work with the CMA to secure approval. Based on our current expectation, the measures to be agreed to address the CMA's concerns are not expected to have a material adverse effect on the liquidity of MergeCo for a twelve-month period to 30 September 2025. The current statutory deadline for the CMA to issue its final report is 7 December 2024.

33 First-time adoption of IFRS

The Historical Financial Information and Underlying Financial Statements are the first set of financial statements prepared for the Vodafone UK Business in accordance with IFRS as issued by the IASB and have been prepared by applying IFRS 1 with a date of transition of 1 April 2021.

In applying IFRS 1, management has taken advantage of the exemption afforded by IFRS 1 to measure the carrying amounts of the Vodafone UK Business's assets and liabilities at its date of transition at the carrying amounts at which they were included in the Vodafone Group's consolidated financial statements prepared in accordance with IFRS based on the Vodafone Group's date of transition to IFRS excluding the effects of consolidation procedures and including the adjustments to reflect the applicable accounting policies of the Company and its subsidiaries as set out in the consolidated financial statements of the Company for the year ended 31 December 2023.

No reconciliation to previous GAAP has been presented on the basis that the Vodafone UK Business has not previously prepared any combined financial statements. The combined statement of financial position of the Vodafone UK Business at its date of transition to IFRS 1 is as presented below:

	As at 1 April 2021
	£m
Non-current assets	
Fixed assets	2,248.2
Right-of-use assets	1,408.7
Telecommunications licences	4,792.4
Deferred tax assets	765.3
Other non-current assets	517.1
	9,731.7
Current assets	
Cash and cash equivalents	10.2
Inventories	142.1
Trade receivables and other current assets	4,207.5
	4,359.8
Current liabilities	
Loans due to RemainCo and other debts	1,716.0
Current tax liabilities	42.3
Lease liabilities	473.8
Trade payables and other current liabilities	1,987.3
	4,219.4
Net current assets	140.4
Total assets less current liabilities	9,872.1
Non-current liabilities	
Lease liabilities	1,495.5
Pension obligations	133.1
Other non-current liabilities	181.3
	1,809.9
Net assets	8,062.2
Equity	
Net parent's investment	8,062.2
Total equity	8,062.2

34 Additional information of Perimeter Entities

Additional information for the Perimeter Entities is detailed as follows:

Entity Name	Country of incorporation and place of operations	Issued and fully paid share capital	Percentage of equity attributable to the Vodafone UK Business As at 31 March 2022	2023	2024
Vodafone Limited	UK	£4,543	100%	100%	100%
Talkmobile Limited	UK	£2	100%	100%	100%
Digital Mobile Spectrum Limited [(a)]	UK	£4	25%	25%	25%
Vodafone Enterprise U.K. [(b)]	UK	£1	100%	100%	100%
Energis Communications Limited	UK	£19,600,820.8	100%	100%	100%
Thus Group Holdings Limited	UK	£1,000	100%	100%	100%

(a) Vodafone UK held 25% interest (i.e., 1 share) in Digital Mobile Spectrum Limited which is accounted for as an intangible asset (see note 3).

(b) Vodafone Enterprise U.K. will transfer its assets, liabilities, income, and expenses as recognised in its statutory accounts to an entity outside the Vodafone UK Business prior to the completion of the Transaction.