Target Business Historical Financial Information

HISTORICAL FINANCIAL INFORMATION OF VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES

For the years ended 31 March 2023, 2022 and 2021

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Notes	2023 €000	2022 €000	2021 €000
Revenue	2	**3,906,713**	**4,180,058**	**4,166,421**
Supplies		(1,079,518)	(1,101,587)	(1,088,421)
Corporate costs	19	(257,968)	(347,194)	(282,319)
Other expenses		(996,310)	(1,132,738)	(1,075,098)
Net credit losses on financial assets	17	(34,862)	(115,484)	(125,855)
Depreciation, amortisation and impairment losses	3	(1,632,634)	(1,707,815)	(1,655,230)
Operating loss	2	**(94,579)**	**(224,760)**	**(60,502)**
Finance income	5	15,685	13,053	-
Finance costs	5	(119,377)	(67,808)	(78,182)
Loss for the period before income tax		**(198,271)**	**(279,515)**	**(138,684)**
Income tax credit	6	169	30,989	17,161
Loss for the period attributable to equity holders of the parent		**(198,102)**	**(248,526)**	**(121,523)**
Loss per share	7			
– Basic		**(0.22)**	**(0.28)**	**(0.13)**
– Diluted		**(0.22)**	**(0.28)**	**(0.13)**

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Assets				
Non-current assets				
Intangible assets	8	1,223,487	1,294,874	1,008,065
Property, plant and equipment	9	4,640,611	5,010,463	5,323,852
Other investments		1,913	3,330	3,617
Trade and other receivables	10	145,452	132,149	116,947
		6,011,463	**6,440,816**	**6,452,481**
Current assets				
Inventory		34,370	63,598	51,932
Taxation recoverable		371	234	256
Trade and other receivables	10	1,042,427	957,806	1,059,820
Cash and cash equivalents	14	4,479	4,642	6,619
		1,081,647	**1,026,280**	**1,118,627**
Total assets		**7,093,110**	**7,467,096**	**7,571,108**
Equity and Liabilities				
Equity				
Share capital	7	903,194	903,194	903,194
Share-based payment reserve		(13,745)	(11,469)	(7,946)
Accumulated (losses) / profit		(53,670)	144,557	392,601
Total equity attributable to equity holders of the parent		**835,779**	**1,036,282**	**1,287,849**
Non-current liabilities				
Borrowings	16	4,265,488	4,249,378	3,984,482
Deferred tax liabilities	6	3,240	3,660	15,462
Provisions	13	149,633	172,186	211,397
Trade and other payables	11	47,506	51,647	57,219
		4,465,867	**4,476,871**	**4,268,560**
Current liabilities				
Borrowings	16	366,985	390,546	442,487
Provisions	13	29,316	35,441	28,255
Trade and other payables	11	1,395,163	1,527,956	1,543,957
		1,791,464	**1,953,943**	**2,014,699**
Total equity and liabilities		**7,093,110**	**7,467,096**	**7,571,108**

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Share based payment reserve	Accumulated (losses) / profit	Total equity
		€000	€000	€000	€000
Balance at 1 April 2020		**903,194**	**(8,774)**	**(2,635,946)**	**(1,741,526)**
Loss for the period attributable to equity holders of the parent				(121,523)	(121,523)
OCI		-	-	314	314
Share-based payments [1]	20, 19	-	828	-	828
Net assets distributed to owners	21			863,828	863,828
Dividend in specie	21	-	-	(974,000)	(974,000)
Leaseback gain retained	21			(240,072)	(240,072)
Contribution from parent	16	-	-	3,500,000	3,500,000
Balance at 31 March 2021		**903,194**	**(7,946)**	**392,601**	**1,287,849**
Loss for the period attributable to equity holders of the parent		-	-	(248,526)	(248,526)
OCI		-	-	482	482
Share-based payments [1]	20, 19	-	(3,523)	-	(3,523)
Balance at 31 March 2022		**903,194**	**(11,469)**	**144,557**	**1,036,282**
Loss for the period attributable to equity holders of the parent		-	-	(198,102)	(198,102)
OCI		-	-	(125)	(125)
Share-based payments [1]	20, 19	-	(2,276)	-	(2,276)
Balance at 31 March 2023		**903,194**	**(13,745)**	**(53,670)**	**835,779**

1 Share-based payments comprise of the charge of the awarded shares, measured at fair value as described in Note 20, and the payment as noted in the consolidated statement of cash flows.

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Cash inflows from operating activities	12	**1,359,284**	**1,386,530**	**1,550,056**
Cash outflows from investing activities		**(1,017,361)**	**(1,212,485)**	**(1,056,736)**
Purchase of intangible assets[1,2]	8	(360,894)	(818,872)	(429,656)
Purchase of property, plant, and equipment	9	(537,845)	(609,707)	(710,517)
Purchase of investments		(1,130)	(1,698)	(2,718)
Disposal of property, plant and equipment and intangible assets		4,172	374	1,286
Disposal of investments		2,587	1,984	1,552
Net amounts (paid)/received on intercompany loan receivables		(124,251)	215,434	83,317
Cash outflows from financing activities		**(342,086)**	**(176,022)**	**(493,173)**
Repayment of borrowings	17	(8,549)	(8,353)	(8,161)
Repayment of leases	17	(483,220)	(515,629)	(442,132)
Contribution from parent company		-	-	3,500,000
Settlement of share-based payment by parent company		(6,976)	(7,047)	(5,948)
Net amounts received/(paid) on intercompany loans	17	156,659	355,007	(3,536,932)
Other cash flows from financing activities		-	-	-
Net cash (outflow)/inflow		**(163)**	**(1,977)**	**147**
Cash and cash equivalents at beginning of the financial year		**4,642**	**6,619**	**6,472**
Cash and cash equivalents at the end of the financial year	14	**4,479**	**4,642**	**6,619**

Note:
1 Purchase of intangible assets as of 31 March 2022 includes €62,944 thousand collected as a result of the refund of spectrum fees as described in Note 8.
2 The purchase of intangible assets includes the commissions paid and categorised as costs of obtaining a contract, detailed within Note 8, to the value of €365,752 thousand, €344,923 thousand, and €307,504 thousand for the periods ended 31 March 2021, 31 March 2022 and 31 March 2023 respectively.

The accompanying Notes 1 to 25 form an integral part of the Historical Financial Information.

VODAFONE HOLDINGS EUROPE, S.L.U. AND SUBSIDIARIES
Notes to the Historical Financial Information

1. Basis of preparation

Background to the transaction

As announced on 31 October 2023, Vodafone Group Plc has agreed to sell the entirety of its Spanish business to Zegona Communications Plc ('the Acquirer') which, subject to the satisfaction of certain conditions, is expected to complete between January and March 2024.

The transaction perimeter includes the trading entities (Vodafone España S.A.U., Vodafone ONO S.A.U. Vodafone Servicios, S.L.U. and Vodafone Energía S.L.U) and the holding company (Vodafone Holdings Europe S.L.U.) of the Spanish business (together the 'Vodafone Spain Group'). The details of the components are defined in Note 24. In September 2020, Vantage Towers Spain was carved-out from Vodafone Spain (for further details refer below).

The following financial information set out the selected Historical Financial Information which has been derived from the Spanish business consolidated statements of comprehensive income, financial position and cash flows as at the dates and for the periods ending 31 March 2023, 2022, and 2021, together with the disclosure notes.

Basis of preparation

Vodafone Spain is engaged in the provision of communications, entertainment and information services in Spain. The business operates a multi-brand model across mobile and fixed networks allowing it to provide converged offerings to both the premium (Vodafone) and low end (Lowi and Finetework) of the market.

The Historical Financial Information is prepared in accordance with the UK-adopted International Accounting Standards ('UK-adopted IAS') and has been prepared specifically for the purposes of this Prospectus and does not constitute statutory accounts within the meaning of section 434 (3) of the Companies Act 2006.

Vodafone Holdings Europe, S.L.U, is a limited partnership that was incorporated in Spain for an indefinite period on October 30, 2000. Its registered address is Avenida de América 115, 28042 in Madrid.

As of 31 March 2023, Vodafone Holdings Europe, S.L.U. is the parent company ('**the parent**') of the Vodafone group of companies in Spain (hereinafter the 'Group').

The Group was controlled by Vodafone Europe B.V., which is indirectly wholly owned by Vodafone Group Plc, a foreign company duly incorporated under the laws of the United Kingdom domiciled at Vodafone House, The Connection, Newbury, Berkshire RG14 2FN, United Kingdom, and registered under number 1833679 at the relevant Registry.

The principal accounting policies that have been applied to this financial information are outlined below. These policies have been consistently applied, unless otherwise stated.

The Group's critical accounting judgements and key sources of estimation uncertainty are detailed below. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; they are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Management regularly reviews, and revises as necessary, the accounting judgements that significantly impact the amounts recognised in the Historical Financial Information and the estimates that are 'critical estimates' due to their potential to give rise to material adjustments in the Group's Historical Financial Information. Management has identified critical judgements in respect of revenue recognition, lease accounting, valuing assets and liabilities acquired in business combinations and the impacts of climate change. In addition, management has identified critical accounting estimates in relation to impairment reviews; estimates have also been identified that are not considered to be critical in respect of the allocation of revenue to goods and services, the useful economic lives of finite lived intangibles and property, plant, and equipment.

Most of the Group's provisions are either long-term in nature (such as asset retirement obligations) or relate to shorter-term liabilities (such as those relating to restructuring and property) where there is not considered to be a significant risk of material adjustment in the next financial year.

Going concern

Vodafone Group Plc has expressed its continuing financial support to maintain adequate financial resources to the Vodafone Spain Group to enable the Vodafone Spain Group to meet its liabilities as and when they become due, should that be necessary, for at least the period to 31 December 2024 or until the completion of its sale of the Vodafone Spain Group to Zegona, whichever occurs first. Consequently, and having considered the overall position of the Vodafone Group set out in its Annual Report and Accounts for the year end 31 March 2023, the Zegona Directors are satisfied the Vodafone Spain Group has the ability to continue as a going concern during the period until completion of the acquisition.

The going concern assessment has been performed for the period to 31 December 2024 and on the basis that the acquisition of the Vodafone Spain Group by Zegona completes. The acquisition will be funded by:

- Net proceeds from an equity raise, consisting of underwritten placing proceeds of €0.3 billion and a subscription by EJLSHM Funding Limited of €0.9 billion.
- An underwritten financing package of up to €4.2 billion, which comprises a term loan facility of up to €0.5 billion and a corporate bridge facility of up to €3.7 billion.

Basis of preparation (continued)

Going concern (continued)

The bridge loan is for a term of 12 months, with two 6-month extension options being available at the discretion of the Zegona Directors. This equity funding and debt financing have been taken into account for the purposes of the going concern assessment, with the transaction not proceeding without both debt and equity raises taking place. A financial covenant is attached to the underwritten financing package, however this is first measured on 31 March 2025 and hence is not applicable during the assessment period. In assessing whether the going concern assumption is appropriate, the Zegona Board considered the group cash flow forecasts of the Vodafone Spain Group following Completion of the Combination between Zegona and Vodafone Spain Group under various scenarios, identifying risks and mitigating factors and ensuring the Combined Group has sufficient funding to meet its current and contracted commitments as and when they fall due for the going concern assessment period. Such risks include increases to competition within the Spanish telecommunications sector, a failure to control customer churn rates or an increase in the cost base.

The Zegona Directors consider the preparation of the Historical Financial Information on a going concern basis to be appropriate. This is due to the following key factors:

- Operational performance for the period from 1 April 2023 to 31 October 2023 remains in line with previous reported performance levels and management forecasts, therefore supporting the free cash flows which have been modelled in the base case
- In addition to the equity raise and underwritten financing package described above, undrawn revolving credit facilities of €500m will be available to Zegona at transaction close
- As a result of the operating cash flows generated, the Zegona Directors' base case forecasts and stress test scenarios show that the revolving credit facility is sufficient to meet working capital requirements.

The Zegona Directors have assessed the going concern assumptions during the approval of the Historical Financial Information. The assessment includes the review of the Combined Group's cashflow forecast and budget, which included considerations on expected developments in liquidity, debt and capital. The Zegona Directors have also combined their selected sensitivities which include revenue reductions and increases in operating and capital expenditure assumptions and interest rates to arrive at potential severe but plausible downside scenarios and stress tests in concluding that the Combined Group is able to continue in operation throughout the going concern assessment period. In all plausible scenarios modelled, the Target Group continues to have sufficient liquidity and headroom throughout the going concern period.

The Zegona Group directors have also identified a number of mitigating actions that, under severe downside scenarios, the Zegona Group directors would aim to take to improve liquidity, such as the deferral or cancellation of non-committed capital spend, or the use of factoring arrangements.

The Zegona Directors have concluded that on the basis of the forecasts described above, and after taking into account the net proceeds of the equity fundraise and the funds available under the underwritten financing package, the Combined Group will continue in operational existence for the period to 31 December 2024. The Directors therefore consider it appropriate to adopt the going concern basis of accounting in preparing the historical financial information.

Vantage Towers

In March 2020, a partial spin-off agreement of Vodafone España, S.A.U. in favour of Vodafone Towers Spain, S.L.U (actual Vantage Towers S.L.U ('**Vantage Towers**')) as beneficiary company, was published in the Mercantile Registry. Vodafone Towers was constituted as an autonomous economic unit dedicated to the possession of the passive telecommunications infrastructure for the provision of services to third parties through said infrastructure and that allows the installation of equipment for the emission and/or reception of signals through communication networks.

Assets and liabilities inherent in the assets of Vantage Towers were effectively transferred to the new entity which was still part of the Group.

As of 31 March 2020, the Group was committed to distribute the Vantage Towers business to the owners, therefore assets and liabilities were recognised as 'Held for distribution to owners' in the consolidated financial statements measured on the initial recognition at the lower of its carrying amount and fair value less costs to sell.

On 25 September 2020, the disposal of Vantage Towers through a distribution in specie was approved for an amount of €974,000 thousand, valuation assigned to the participation. The payment of the dividend was made effective through the transfer in favour of the ownership of the 10,000 shares representing 100% of the share capital of the company Vantage Towers, S.L.U. At the same time, Vantage Towers was carved-out from the Group but remained a related party as Vodafone Group controlled it. These balances have been accounted for as assets and liabilities held for distribution to owners as of 31 March 2020 (see Note 21 'Disposal').

On disposal of these assets, the Group entered into an arrangement in which the mobile base station towers were leased back (see Note 1.1.2 'Lease accounting' for more detail on the Group's Sales and leaseback accounting policy).

1.1 Critical accounting judgements and key sources of estimation uncertainty

1.1.1 Revenue recognition

Revenue recognition under IFRS 15 necessitates the collation and processing of very large amounts of data and the use of management judgements and estimates to produce financial information. The most significant accounting judgements and source of estimation uncertainty are disclosed below.

Gross versus net presentation

If the Group has control of goods or services when they are delivered to a customer, then the Group is the principal in the sale to the customer; otherwise, the Group is acting as an agent. Whether the Group is the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses (see Note 2 'Revenue disaggregation') but do not impact reported assets, liabilities, or cash flows. Scenarios requiring judgement to determine whether the Group is a principal, or an agent include, for example, those where the Group delivers third-party branded software or services (such as TV content or cloud-based services) to customers and good or services delivered to customers in partnership with a third-party.

Allocation of revenue to goods and services provided to customers

Revenue is recognised when goods and services are delivered to customers (see Note 2 'Revenue disaggregation'). Goods and services may be delivered to a customer at different times under the same contract, hence it is necessary to allocate the amount payable by the customer between goods and services on a 'relative standalone selling price basis'; this requires the identification of performance obligations ('obligations') and the determination of standalone selling prices for the identified obligations. The determination of obligations is, for the primary goods and services sold by the Group, not considered to be a critical accounting judgement; the Group's policy on identifying obligations is disclosed in Note 2 'Revenue disaggregation'. The determination of standalone selling prices for identified obligations is discussed below.

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

1.1.2 Lease accounting

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

Lease identification

Whether the arrangement is considered a lease, or a service contract depends on the analysis by management of both the legal form and substance of the arrangement between the Group 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 Group obtains substantially all the economic benefit from the use of the asset, and has the ability 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 Group has exclusive use of a physical line it is determined that the Group can also direct the use of the line and therefore leases will be recognised. Where the Group provides access to fibre or other fixed telecommunication lines to another operator on a wholesale basis the arrangement will generally be identified as a lease, whereas when the Group provides fixed line services to an end-user, generally control over such lines is not passed to the end-user and a lease is not identified.

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

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

Critical accounting judgements and key sources of estimation uncertainty (continued)

Lease accounting (continued)

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

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

- Between 5 and 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;
- To the next contractual lease break date for retail premises (excluding breaks within the next 12 months);
- Where leases are used to provide internal connectivity the lease term for the connectivity is aligned to the lease term or useful economic life of the assets connected;
- The customer service agreement length for leases of local loop connections or other assets required to provide fixed line services to individual customers; and
- 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 Group has 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 circumstances occurs relating to the leased assets that is within the control of the Group; such changes usually relate to commercial agreements entered into by the Group, or business decisions made by the Group. Where such changes change the Group's assessment of whether it is 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.

Sale and leaseback

Whether a transfer of an asset to another entity and leases that asset back, both the seller and the purchaser shall account the transfer contract as a sale and leaseback transaction.

If the initial transfer satisfies the requirement of IFRS 15 to be accounted as a sale, the Group as a seller-lessee shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the seller-lessee shall recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

Within the assets disposed in the carved-out of Vantage Towers (see Note 1 'Basis of preparation') there were mobile base station towers which were agreed to be leased back to locate network equipment for 8 years (see Note 21 'Disposals').

1.1.3 Deferred tax assets

Recognition of deferred tax assets

Significant items on which the Group has exercised accounting estimation and judgement include the recognition of deferred tax assets in respect of losses. The recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether management judge that it is probable that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future. The Group assesses the availability of future taxable profits using the same undiscounted five-year forecasts for the Group's operations as are used in the Group's value in use calculations (see Note 4 'Impairment losses').

Where tax losses are forecast to be recovered beyond the five-year period, the availability of taxable profits is assessed using the cash flows and long-term growth rates used for the value in use calculations.

Critical accounting judgements and key sources of estimation uncertainty (continued)

Deferred tax assets (continued)

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 ability to acquire and/or renew spectrum licenses.

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

The Group only considers substantively enacted tax laws when assessing the amount and availability of tax losses to offset against the future taxable profits.

1.1.4 Finite lived intangible assets

Intangible assets include amounts spent by the Group acquiring licences and spectrum, customer bases and the costs of purchasing and developing computer software. Estimates relating to the future cash flows and discount rates used may have a material effect on the reported amounts of finite lived intangible assets.

Where intangible assets are acquired through business combinations and no active market for the assets exists, the fair value of these assets is determined by discounting estimated future net cash flows generated by the asset.

Capitalisation of customer-related intangible assets

The direct and incremental costs of acquiring or retaining a customer relationship are recognised as customer-related asset if the Group expects to recover those costs. Customer-related assets refer to commissions paid to staff and agents for acquiring new customers and renewals of existing customers on behalf of the Group.

Customer-related intangible assets are capitalised whenever they meet all of the following criteria:

- Costs that the Group incurs to acquire a contract with a customer that it would not have incurred if the contract had not been obtained.
- Costs that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Neither IFRS 15, nor IAS 1 provide specific guidance on the presentation of assets arising from capitalised customer-related costs. Management considers that these contract costs are similar in nature to intangibles assets under IAS 38. This conclusion is based on the fact that customer contracts and customer relationships could be considering identifiable intangible assets. Management considers that the purpose of the commission payments is to incentivise the agent to identify the customer and persuade them to sign the contract. Therefore, the commissions paid to staff and agents forms part of the cost of acquiring these intangible assets.

The amortisation of customer-related intangible assets is recognised in the comprehensive income statement as part of depreciation, amortisation and impairment losses.

Estimation of useful life

The useful life over which intangible assets are amortised depends on management's estimate of the period over which economic benefit will be derived from the asset. Useful lives are periodically reviewed to ensure that they remain appropriate. Management's estimates of useful life have a material impact on the amount of amortisation recorded in the year. The basis for determining the useful life for the most significant categories of intangible assets are discussed below.

Customer bases

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an increase in the amortisation charge.

Capitalised software

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

Customer-related intangible assets

Customer-related assets is a component of the intangible assets and are amortised over the contract life; typically, this is over the customer contract period as new commissions are payable on contract renewal.

1.1.5 Property, plant and equipment

Estimates and assumptions made may have a material impact on their carrying value and related depreciation charge. See Note 9 'Property, plant and equipment' to the Historical Financial Information for further details.

Critical accounting judgements and key sources of estimation uncertainty (continued)

Property, plant and equipment (continued)

Estimation of useful life

The depreciation charge for an asset is derived using estimates of its expected useful life and expected residual value, which are reviewed annually. Management's estimates of useful life have a material impact on the amount of depreciation recorded in the year.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and considering other relevant factors such as any expected changes in technology.

1.1.6 Impairment reviews

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

A lack of observable market data on fair values for equivalent assets means that the Group's valuation approach for impairment testing focuses primarily on value in use. For several reasons, transaction values agreed as part of any business acquisition or disposal may be higher than the assessed value in use.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of highly uncertain matters including management's expectations of:

- Growth in adjusted EBITDAaL, calculated as detailed in Note 2
- Timing and amount of future capital expenditure, licence and spectrum payments;
- Long-term growth rates; and
- Appropriate discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the adjusted EBITDAaL and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence reported assets and profits or losses. Further details, including a sensitivity analysis, are included in Note 4 'Impairment losses' to the Historical Financial Information.

See additional commentary relating to climate change, below.

1.1.7 Contingent liabilities

The Group exercises judgement 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. Judgement is necessary to assess the likelihood that a pending claim will succeed, or a liability will arise.

1.2 Significant accounting policies applied in the current reporting period that relate to the Historical Financial Information as a whole

1.2.1 Accounting convention

The Historical Financial Information is prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

1.2.2 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Vodafone Holdings Europe, S.L.U. and subsidiaries controlled by the Group (see Note 24 'Related undertakings' to the Historical Financial Information).

1.2.3 Foreign currencies

The Historical Financial Information is presented in euro, which is also the Company's functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Significant accounting policies applied in the current reporting period that relate to the Historical Financial Information as a whole (continued)

1.2.4 Current or non-current classification

Assets are classified as current in the consolidated statement of financial position where recovery is expected within 12 months of the reporting date. All assets where recovery is expected more than 12 months from the reporting date and all deferred tax assets, intangible assets and property, plant and equipment are reported as non-current.

Liabilities are classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. For provisions, 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. In addition, deferred tax liabilities, if any, are reported as non-current.

1.2.5 Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined based on weighted average costs and comprises direct materials.

1.2.6 Assessment on business impacts

How the COVID-19 pandemic has impacted the Group's line of business

On 11 March 2020, the World Health Organisation upgraded the public health emergency caused by the coronavirus outbreak (COVID-19) to an international pandemic. Events unfolded very fast both in Spain and abroad, prompting an unprecedented health crisis that has hit the macroeconomic environment and hampered business growth.

The Covid-19 outbreak developed rapidly in early 2020. Many countries required businesses to limit or suspend operations and implemented travel restrictions. These measures taken to contain the virus adversely affected economic activity. Based on the information available as of 31 March 2020, Management made adjustments to the five-year business plan used in the Group's impairment testing to reflect the estimated impact. No relevant effects were noted after the year ended 31 March 2022.

Climate change

The Group takes environmental protection laws into account in its overall operations and believes that it is in material compliance with such laws and maintains procedures designed to promote and ensure compliance.

An environmental activity is defined as any operation the main purpose of which is to minimise any environmental impact and protect and improve the Environment. Furthermore, it has not been deemed necessary to record any environmental provisions as there are no environmental protection and improvement-related contingencies, nor any environmental liabilities.

During the year ended 31 March 2023, the Group continued to invest in environmental protection and improvement. The measures adopted included most notably initiatives aimed at minimising the visual and acoustic impact of infrastructure, the payment of environmental licences, the use of alternative energies and waste recycling and control actions. These measures led to the addition of new functions to equipment and plant totalling €4,139 thousand (year ended 31 March 2022 €2,813 thousand and year ended 31 March 2021 €1,122 thousand) and expenses of €4,094 thousand during the financial year (year ended 31 March 2022: €2,681 thousand and year ended 31 March 2021 €1,185 thousand).

At year-end, the Group did not have any environmental protection and improvement-related contingencies, or compensation receivable from third parties.

1.2.7 New accounting pronouncements and basis of preparation changes to be adopted on or after 1 April 2022

The Group adopted the following new accounting policies on 1 April 2022 to comply with amendments to IFRS. The accounting pronouncements, none of which had a material impact on the Group's financial reporting on adoption, are:

- Annual Improvements to IFRS Standards 2018-2020.
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before Intended Use'.
- Amendments to IAS 37 'Onerous Contracts - Cost of Fulfilling a Contract';
- Amendments to IFRS 3 'Reference to the Conceptual Framework'; and
- Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'.

Significant accounting policies applied in the current reporting period that relate to the Historical Financial Information as a whole (continued)

1.2.8 New accounting pronouncements to be adopted on or after 1 April 2023

The following new standards and narrow-scope amendments have been issued by the IASB and are effective for annual periods beginning on or after 1 January 2023:

- IFRS 17 ‘Insurance Contracts’ and Amendments to IFRS 17 ‘Insurance Contracts’;
- Amendments to IAS 1 ‘Disclosure of Accounting Policies’;
- Amendments to IAS 1 ‘Classification of Liabilities as Current or Non-Current’;
- Amendment to IAS 8 ‘Definition of Accounting Estimates’; and
- Amendment to IAS 12 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’.

The following new standard has been issued by the IASB and is effective for annual periods beginning on or after 1 January 2024:

- Amendments to IFRS 16 ‘Lease Liability in a Sale and Leaseback’.

The Group is assessing the impact of these new standards and the Group’s financial reporting will be presented in accordance with these standards from the commencement of the accounting period to which they relate. The changes are not expected to have a material impact on the consolidated statement of comprehensive income, consolidated statement of financial position or consolidated statement of cash flows.

1.2.9 Accounting pronouncements not yet endorsed by the United Kingdom

The following narrow-scope amendments have been issued by the IASB but not yet endorsed by the United Kingdom:

- Amendments to IAS 7 and IFRS 7 ‘Supplier Finance Arrangements’; and
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability’.

2. Revenue disaggregation

The Group activity is focused on providing telecommunications services under a common network and strategic decisions are independent of the Group's structure. Selected financial data is presented on this basis below.

Accounting policies

Revenue

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

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

The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis; where standalone selling prices are not directly observable, estimation techniques are used maximising the use of external inputs. See 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 for details. Revenue is recognised when the respective obligations in the contract are delivered to the customer and cash collection is considered probable. Revenue for the provision of services, such as mobile airtime and fixed line broadband, is recognised when the Group provides the related service during the agreed service period.

Revenue for device sales to end customers is generally recognised when the device is delivered to the end customer. For device sales made to intermediaries such as indirect channel dealers, revenue is recognised if control of the device has transferred to the intermediary and the intermediary has no right to return the device to receive a refund; otherwise, revenue recognition is deferred until sale of the device to an end customer by the intermediary or the expiry of any right of return.

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

When the Group has control of goods or services prior to delivery to a customer, then the Group is the principal in the sale to the customer. As a principal, receipts from, 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 Group is acting as an agent for the other party and revenue in respect of the relevant obligations is recognised net of any related payments to the supplier and recognised revenue represents the margin earned by the Group. See 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 for details.

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; contract assets will typically be recognised for handsets or other equipment provided to customers where payment is recovered by the Group via future service fees. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, 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 the term of the related service agreement, in which case the customer is deemed to have received financing. If a significant financing component is provided to the customer, the transaction price is reduced, and interest revenue is recognised over the customer's payment period using an interest rate reflecting the relevant central bank rates and customer credit risk.

Contract-related costs

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

Revenue disaggregation (continued)

Customer-related intangible assets

The direct and incremental costs of acquiring or retaining a customer relationship including, for example, certain commissions payable to staff or agents for acquiring or retaining customers on behalf of the Group, are recognised as an customer-related intangible asset in the statement of financial position when the related payment obligation is recorded (see Intangibles Assets Note 8). Costs are amortised over the contract life; typically, this is over the customer contract period as new commissions are payable on contract renewal.

Revenue disaggregation and segmental statement of comprehensive income analysis

Revenue reported for the year includes revenue from contracts with customers as well as other revenue items including revenue from equipment revenue, leases and interest revenue arising from transactions with a significant financing component. Revenue from leases is disclosed in Note 15 'Leases'.

The table below presents Revenue:

	2023 **€000**	**2022** **€000**	**2021** **€000**
Service revenue	3,514,413	3,713,571	3,788,479
Equipment revenue	307,156	368,893	291,648
Revenue from contracts with customers	**3,821,569**	**4,082,464**	**4,080,127**
Interest revenue	26,140	24,321	22,402
Oher revenue	59,004	73,273	63,892
Total revenue	**3,906,713**	**4,180,058**	**4,166,421**

Performance metrics

Non-GAAP measure	Purpose	Definition
Adjusted EBITDA	Adjusted EBITDA and adjusted EBITDAaL is used in conjunction with financial measures such as operating profit to assess the Group's operating performance and profitability. It is a key external metric used by the investor community to assess performance of the Group's operations.	Adjusted EBITDA is operating profit excluding net interest, depreciation, amortisation (including amortisation of customer-related intangible assets), and gains/losses on disposal of owned and leased assets, impairment losses, restructuring costs arising from discrete restructuring plans, other income and expense and significant items that are not considered by management to be reflective of the underlying performance of the Group. Adjusted EBITDAaL includes the impacts on lease-related right of use assets and interest on lease liabilities.

Revenue disaggregation (continued)

A reconciliation of adjusted EBITDA and adjusted EBITDAaL, the Group's measures of segment performance, to the Group's profit or loss before taxation for the financial year is shown below.

	2023 €000	2022 €000	2021 €000
Adjusted EBITDA	**1,557,461**	**1,571,726**	**1,644,032**
Depreciation and gain on disposal of leased assets[1,2]	(423,790)	(435,957)	(409,865)
Interest on lease liabilities	(31,801)	(32,899)	(28,807)
Adjusted EBITDAaL	**1,101,870**	**1,102,870**	**1,205,360**
Restructuring costs[2]	(7,950)	(95,147)	(22,426)
Interest on lease liabilities	31,801	32,899	28,807
Loss on disposal of owned assets	(12,266)	(16,818)	(27,069)
Depreciation of owned assets (Note 9)	(718,915)	(782,376)	(773,134)
Amortisation of owned assets (Note 8)[3]	(149,655)	(109,106)	(127,552)
Amortisation of customer-related intangible assets[3]	(339,464)	(357,082)	(344,488)
Impairment losses	-	-	-
Operating loss	**(94,579)**	**(224,760)**	**(60,502)**
Net financing costs	(103,692)	(54,755)	(78,182)
Loss before taxation	**(198,271)**	**(279,515)**	**(138,684)**

Notes:
1 The current year includes a gain on disposal of leased assets of €810 thousand (2022: €875 thousand, 2021: €192 thousand).
2 Restructuring costs includes a depreciation charge of Nil for the year ending 31 March 2023 (2022: €22,419 thousand, 2021 Nil) relating to the reassessment of the useful lives of certain leased assets as part of the Group's restructuring plans.
3 The amortisation expense of the customer-related intangible assets is presented in a separate line and reflects the Acquiror's accounting policy for capitalisation of customer-related intangible assets. Customer-related intangible assets are disclosed in Note 8.

Restructuring costs comprises certain restructuring plans, including staff reductions, the outsourcing of retail channels and optimisation of the retail structure, reorganisation of spaces, and others, to reduce cost and improve the efficiency of the Group.

Segmental analysis

The Group operates with a single segment since all the Group companies are focused on providing telecommunications services under a common network and strategic decisions are independent of the Group's structure.

3. Operating loss

Detailed below are the key amounts recognised in arriving at operating loss.

	2023 €000	2022 €000	2021 €000
Amortisation of intangible assets (Note 8)	489,119	466,188	472,040
Depreciation of property, plant and equipment (Note 9):			
Owned assets	718,915	782,376	773,134
Leased assets	424,600	459,251	410,056
Depreciation, amortisation and impairment losses	**1,632,634**	**1,707,815**	**1,655,230**
Corporate costs (Note 19)	257,968	347,194	282,319
Acquisition and retention costs	537,416	578,885	532,606
Amounts related to inventory of finished goods	423,832	477,831	412,202
Own costs capitalised attributable to the construction or acquisition of property, plant and equipment	(66,642)	(61,688)	(59,018)

4. Impairment loss

Impairment occurs when the carrying value of assets is greater than the present value of the net cash flows they are expected to generate. We review the carrying value of assets for the common network and goodwill at least annually. For further details of the impairment review process see 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 'Basis of preparation' to the Historical Financial Information.

Accounting policies

Property, plant and equipment, finite lived intangible assets

At each reporting period date, the Group reviews the carrying amounts of its property, plant and equipment, finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised immediately in the statement of comprehensive income.

Where there has been a change in the estimates used to determine recoverable amount and an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years and an impairment loss reversal is recognised immediately in the statement of comprehensive income.

Impairment losses

Following our annual impairment review, no impairment charges were recognised in the consolidated statement of losses. Further detail on the key assumptions is included below.

Impairment loss (continued)

Key assumptions used in the value in use calculations

The key assumptions used in determining the value in use are:

Assumption	How determined
Projected adjusted EBITDAaL	Projected adjusted EBITDAaL has been based on past experience adjusted for the following:
	– Mobile revenue is expected to benefit from increased usage as customers transition to higher data bundles, and new products and services are introduced. Fixed revenue is expected to continue to grow as penetration is increased and more products and services are sold to customers;
	– Margins are expected to be impacted by negative factors such as the cost of acquiring and retaining customers in increasingly competitive markets and by positive factors such as the efficiencies expected from the implementation of Group initiatives; and
	– To include the amortisation of customer-related intangible assets.
Projected capital expenditure	The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to maintain the networks, provide products and services in line with customer expectations, including of higher data volumes and speeds, and to meet the population coverage requirements of certain of the Group's licences. Capital expenditure is required to roll out capacity-building next generation 5G and gigabit networks.
Projected licence and spectrum payments	To enable the continued provision of products and services, the cash flow forecasts for licence and spectrum payments include amounts for expected renewals and newly available spectrum. Beyond the five-year forecast period, a long-run cost of spectrum is assumed.
Long-term growth rate	For the purposes of the Group's value in use calculations, a long-term growth rate into perpetuity is applied immediately at the end of the five-year forecast period and is based on a management estimate that is lower than Spain's nominal GDP growth rate forecast.
Pre-tax discount rate	The pre-tax discount rate is derived such that when applied to pre-tax cash flows it gives the same result as when the observable post-tax weighted average cost of capital is applied to post-tax cash flows. The statutory tax rates are adjusted to reflect the impact of tax losses available to offset against taxable profits.
	The assumptions used to develop the discount rate are benchmarked to externally available data: – The risk-free rate is derived from an average yield of the ten year bond issued by the government; and – the forward-looking equity market risk premium (an investor's required rate return over and above a risk-free rate) is based on studies by independent economists, the long-term average equity market risk premium and the market risk premiums typically used by valuation practitioners; and – the asset beta reflecting the systematic risk of the telecommunications segment relative to the market as a whole is determined from betas observed for comparable listed telecommunications companies; and – the region-specific leverage ratio is estimated from ratios observed for comparable listed telecommunications companies; and – the discount rate is determined in nominal terms in order to match its nominal estimates of future cash flows.
COVID-19	The COVID-19 outbreak developed rapidly in early 2020, and measures to contain the virus adversely affected economic activity and disrupted many businesses. Management made additional adjustments to the five-year business plan used in the Group's impairment testing in March 2020 to reflect the estimated impact. The impact of COVID-19 on the Group's impairment testing diminished in March 2021 and March 2022 and where appropriate, management included their estimates in the five-year business plan.

Year ended 31 March 2023

The Group performs its annual impairment test for goodwill at 31 March and when there is an indicator of impairment of an asset. At each reporting period date judgement is exercised by management in determining whether any internal or external sources of information observed are indicative that the carrying amount of any of the Group's cash generating unit is not recoverable.

No impairment loss or reversal of impairment was recognised during the year to 31 March 2023. No changes to the business or its activities have taken place during the period to warrant an impairment loss reversal.

Impairment loss (continued)

Value in use assumptions

	pps
Pre-tax discount rate	7.7
Long-term growth rate	1.5
Projected adjusted EBITDAaL CAGR[1]	0.2
Projected capital expenditure[2]	12.4 – 13.5

Notes:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Sensitivity analysis

The estimated recoverable amount of the Group exceeds its carrying value by €79,500 thousand if the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2023.

Change required for carrying value to equal recoverable amount:

	pps
Pre-tax discount rate	0.1
Long-term growth rate	(0.1)
Projected adjusted EBITDAaL CAGR[1]	(0.3)
Projected capital expenditure[2]	0.5

Notes:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Management has prepared the following sensitivity analysis for changes in projected adjusted EBITDAaL CAGR[1] , long-term growth rate and pre-tax discount rate assumptions. The associated impact of the change in each key assumption does not consider any consequential impact on other assumptions used in the impairment review.

	Recoverable amount less carrying value €000
Base case as at 31 March 2023	79,500
Change in projected adjusted EBITDAaL CAGR[1]	
Decrease by 5.0pps	(1,084,338)
Increase by 5.0pps	1,480,243
Change in long-term growth rate	
Decrease by 1.0pps	(421,381)
Increase by 1.0pps	802,550
Change in pre-tax discount rate	
Decrease by 1.0pps	876,747
Increase by 1.0pps	(494,926)

Note:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Year ended 31 March 2022

The Group performs its annual impairment test for goodwill at 31 March and when there is an indicator of impairment of an asset. At each reporting period date judgement is exercised by management in determining whether any internal or external sources of information observed are indicative that the carrying amount of any of the Group’s cash generating unit is not recoverable.

No impairment loss or reversal of impairment was recognised during the year to 31 March 2022. No changes to the business or its activities have taken place during the period to warrant an impairment loss reversal.

Impairment loss (continued)

Value in use assumptions

The table below shows key assumptions used in the value in use calculation.

	pps
Pre-tax discount rate	8.4
Long-term growth rate	1.0
Projected adjusted EBITDAaL CAGR[1]	4.1
Projected capital expenditure[2]	14.7-15.6

Notes:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Sensitivity analysis

The estimated recoverable amount of the Group exceeds its carrying value by €118,600 thousand. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2022.

Change required for carrying value to equal recoverable amount:

	pps
Pre-tax discount rate	0.2
Long-term growth rate	(0.2)
Projected adjusted EBITDAaL CAGR[1]	(0.5)
Projected capital expenditure[2]	0.7

Notes:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for all cash-generating units of the plans used for impairment testing.

Management has prepared the following sensitivity analysis for changes in projected adjusted EBITDAaL CAGR[1], long-term growth rate and pre-tax discount rate assumptions. The associated impact of the change in each key assumption does not consider any consequential impact on other assumptions used in the impairment review.

	Recoverable amount less carrying value €000
Base case as at 31 March 2022	118,600
Change in projected adjusted EBITDAaL CAGR[1]	
Decrease by 5.0pps	(1,093,410)
Increase by 5.0pps	1,569,091
Change in long-term growth rate	
Decrease by 1.0pps	(373,431)
Increase by 1.0pps	787,591
Change in pre-tax discount rate	
Decrease by 1.0pps	864,691
Increase by 1.0pps	(446,908)

Note:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Year ended 31 March 2021

The Group performs its annual impairment test for goodwill at 31 March and when there is an indicator of impairment of an asset. At each reporting period date judgement is exercised by management in determining whether any internal or external sources of information observed are indicative that the carrying amount of any of the Group's cash generating units is not recoverable. Vantage Towers was sold during the year (see Note 1 'Basis of preparation').

No impairment loss or reversal of impairment was recognised during the year to 31 March 2021. No changes to the business or its activities have taken place during the period to warrant an impairment loss reversal.

Impairment loss (continued)

Value in use assumptions

The table below shows key assumptions used in the value in use calculation.

	pps
Pre-tax discount rate	9.1
Long-term growth rate	0.5
Projected adjusted EBITDAaL CAGR[1]	4.9
Projected capital expenditure[2]	15.7-17.6

Notes:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Sensitivity analysis

The estimated recoverable amount of the Group exceeds its carrying value by €730,200 thousand. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognised for the year ended 31 March 2021.Change required for carrying value to equal recoverable amount:

	pps
Pre-tax discount rate	1.3
Long-term growth rate	(1.6)
Projected adjusted EBITDAaL CAGR[1]	(3.8)
Projected capital expenditure[2]	3.9

Notes:
1 Projected Adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.
2 Projected capital expenditure, which excludes licences and spectrum, is expressed as capital expenditure as a percentage of revenue in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

Management has prepared the following sensitivity analysis for changes in projected adjusted EBITDAaL CAGR[1] and long-term growth rate assumptions. The associated impact of the change in each key assumption does not consider any consequential impact on other assumptions used in the impairment review.

	Recoverable amount less carrying value €000
Base case as at 31 March 2021	730,200
Change in projected adjusted EBITDAaL CAGR[1]	
Decrease by 5.0pps	(214,699)
Increase by 5.0pps	1,857,245
Change in long-term growth rate	
Decrease by 1.0pps	244,096
Increase by 1.0pps	1,359,276

Note:
1 Projected adjusted EBITDAaL CAGR is expressed as the compound annual growth rates in the initial five years for the cash-generating unit, as reflected by the business plan used for impairment testing.

5. Net financing costs

Net financing costs mainly arise from interest due on loans from Vodafone Group Plc and lease liabilities.

	2023 €000	2022 €000	2021 €000
Financing income			
Interest related to the recovery of excess licenses fees[1]	-	11,500	-
Other financing income[2]	15,685	1,553	-
	15,685	**13,053**	**-**
Financing costs			
Financial liabilities measured at amortised cost			
Lease liabilities	31,801	32,899	28,807
Loans from related parties and other liabilities	87,576	34,909	49,375
	119,377	**67,808**	**78,182**
Net financing costs	**103,692**	**54,755**	**78,182**

1 Related to movements in intangible assets as described in Note 8.
2 Mainly related to the compensation received for the positive judgment of a lawsuit.

6. Taxes

This note explains how the Group tax charge / credit arises. The deferred tax section of the note also provides information on the expected future tax charges / credits and sets out the tax assets held across the Group together with the view on whether or not we expect to be able to make use of these in the future.

Fiscal consolidation regime

The individual taxable income is included in the taxable income of the tax consolidation group of which Vodafone Group Plc is the ultimate parent company and Vodafone Holdings Europe, S.L.U. is the representative parent company in Spain.

During the year ended 31 March 2021, the shares of Vantage Towers, S.L.U. were transferred to the ultimate parent company. Based on the provisions of Article 58.3 of the Revised Text of the Corporate Tax Act, the transfer of the shares of Vantage Towers, S.L.U. does not result in the exclusion of this company from the Spanish tax consolidation group, insofar as the Vodafone Group Plc of the group holds an interest of at least 75% in this entity at the end of the year ended 31 March 2022.

On 23 March 2023, Vodafone Group Plc and Vantage Towers AG announced a new ownership structure with a consortium of long-term infrastructure investors led by Global Infrastructure Partners (GIP) and KKR where such parent company reduced its indirect interest in Vantage Towers S.L.U. to 57,3% at the end of the year ended 31 March 2023. As a result, Vantage Towers S.L.U. has been excluded from the Spanish tax consolidation perimeter.

Accounting policies

Income tax expense represents the sum of the current and deferred taxes.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the reporting period date.

The Group recognises provisions for uncertain tax positions when the Group has a present obligation as a result of a past event and management judge that it is probable that there will be a future outflow of economic benefits from the Group to settle the obligation. Uncertain tax positions are assessed and measured on an issue-by-issue basis within the jurisdictions that we operate either using management's estimate of the most likely outcome where the issues are binary, or the expected value approach where the issues have a range of possible outcomes. The Group recognises interest on late paid taxes as part of financing costs, and any penalties, if applicable, as part of the income tax expense. Taxes are opened to inspection for a period of 4 years in Spain.

Subsequently to 31 March 2023, the tax authorities has communicated to the Group the opening of a verification process for some subsidiaries and for the following taxes and periods:

Type	**Periods**
Income tax	Fiscal Year 2019 -2022
VAT	April 2019 – December 2022
Personal income tax	April 2019 – December 2022
Tax for Non-Residents	April 2019 – December 2022

The Group does not expect that, at the end of this process, liabilities will arise that could significantly affect the Group.

Taxes (continued)

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that temporary differences or taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are not recognised to the extent they arise from the initial recognition of non-tax-deductible goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period date and adjusted to reflect changes in the Group's assessment that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting period date.

Tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they either relate to income taxes levied by the same taxation authority on either the same taxable entity or on different taxable entities which intend to settle the current tax assets and liabilities on a net basis.

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

Income tax credit directly attributable to comprehensive loss for the year

	2023 €000	2022 €000	2021 €000
Current year	168	19,394	16,813
Adjustments in respect of prior years	(419)	(207)	212
Current tax	**(251)**	**19,187**	**17,025**
Deferred tax credit	420	11,802	136
Income tax credit directly attributable to comprehensive loss for the year	**169**	**30,989**	**17,161**

Factors affecting the tax credit for the year

Below is a reconciliation between the accounting profit for the periods presented in the Historical Financial Information year ended 31 March 2023 and the taxable income for corporation tax purposes:

	2023 €000	2022 €000	2021 €000
Loss before tax as shown in the consolidated statement of comprehensive loss	**(198,271)**	**(279,515)**	**(138,684)**
Expenses not deductible for tax purposes:			
Permanent	3,358	14,271	(8,833)
Temporary	(202,478)	149,967	(275,588)
Taxable base (Tax result)	**(397,391)**	**(115,277)**	**(423,105)**
Full tax rate (25%)	99,348	28,819	105,776
Tax credits and tax relief	2,047	4,052	2,422
Income tax credit	**101,395**	**32,871**	**108,198**
Impact of unrecognised deferred tax assets	(101,226)	(1,882)	(91,037)
Income tax credit directly attributable to comprehensive loss for the year	**169**	**30,989**	**17,161**

Taxes (continued)

Deferred tax

Analysis of movements in the net deferred tax liability balance during the year:

	€000
1 April 2020	**(15,598)**
Credited to the statement of comprehensive income	136
31 March 2021	**(15,462)**
Credited to the statement of comprehensive income	11,802
31 March 2022	**(3,660)**
Credited to the statement of comprehensive income	420
31 March 2023	**(3,240)**

Deferred tax assets on losses

Deferred tax assets and liabilities, before offset of balances are as follows:

	Amount credited/ (expensed) in the statement of comprehensive loss €000	Gross deferred tax assets €000	Gross deferred tax liability €000	Net recognised deferred tax asset/(liability) €000
1 April 2020	**(4,272)**	**160,585**	**(176,183)**	**(15,598)**
Accelerated tax depreciation	3,495		3,495	3,495
Temporary differences relating to revenue recognition	(5,962)	834	(6,796)	(5,962)
Other temporary differences	2,603	(903)	3,506	2,603
31 March 2021	**136**	**160,516**	**(175,978)**	**(15,462)**
Accelerated tax depreciation	1,134	-	1,134	1,134
Temporary differences relating to revenue recognition	73,562	(1,523)	75,085	73,562
Other temporary differences	(62,894)	(66,343)	3,449	(62,894)
31 March 2022	**11,802**	**92,650**	**(96,310)**	**(3,660)**
Accelerated tax depreciation	285	-	285	285
Temporary differences relating to revenue recognition	9,477	(399)	9,876	9,477
Other temporary differences	(9,342)	(14,485)	5,143	(9,342)
31 March 2023	**420**	**77,766**	**(81,006)**	**(3,240)**

The Group has tax losses of €4,750,456 thousand (2022: €4,673,605 thousand, 2021: €4,316,442 thousand) which are available to offset against the future profits of the Spanish Group subsidiary companies. The losses do not expire. A change in control might impact the use of losses in future years. No deferred tax asset is recognised for these losses due to the trading environment in Spain.

Deferred tax liabilities correspond mainly to accelerated tax depreciation and to revenue recognition temporary differences. Deferred tax assets mainly relate to personnel restructuring provisions and differences between tax and accounting assets depreciation.

7. Loss per share

Basic loss per share is the amount of losses generated for the financial year attributable to equity shareholders divided by the weighted average number of shares in issue during the year.

	2023 €000	2022 €000	2021 €000
(Loss) for basic and diluted losses per share	**(198,102)**	**(248,526)**	**(121,523)**

	2023 thousand	2022 thousand	2021 thousand
Weighted average number of shares	**903,194**	**903,194**	**903,194**

	eurocents	eurocents	eurocents
Basic and diluted loss per share from continuing operations	**(0.22)**	**(0.28)**	**(0.13)**

The share capital of Vodafone Holdings Europe, S.L.U is represented by 903,194,000 fully subscribed and paid up ordinary registered shares of €1 par value each.

8. Intangible assets

The statement of financial position contains significant intangible assets, mainly in relation to licences, spectrum and customer-related intangible assets. Licences and spectrum are amortised over the life of the licence, including extensions. Customer-related intangible assets are typically amortised over the life of the contract. For further details see 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 'Basis of preparation' to the Historical Financial Information.

Accounting policies

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributed to the asset will flow to the Group and the cost of the asset can be reliably measured. Identifiable intangible assets are recognised at fair value when the Group completes a business combination. The determination of the fair values of the separately identified intangibles, is based, to a considerable extent, on management's judgement.

Finite lived intangible assets

Intangible assets with finite lives are stated at acquisition or development cost, less accumulated amortisation. The amortisation period and method are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives from the commencement of related network services. The estimated useful lives are 5 – 40 years.

Computer software

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

Software integral to an item of hardware equipment is classified as property, plant and equipment.

Costs associated with maintaining software programs are recognised as an expense when they are incurred.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life from the date the software is available for use, being 3 – 5 years.

Intangible assets (continued)

Other intangible assets

Intangible assets, including customer bases, are recorded at fair value at the date of acquisition. Amortisation is charged to the statement of comprehensive income, over the estimated useful lives of intangible assets from the date they are available for use, on a straight-line basis. The amortisation basis adopted for each class of intangible asset reflects the Group's consumption of the economic benefit from that asset.

Customer-related intangible assets

Direct and incremental costs of acquiring or retaining a customer relationship including commissions payable to staff or agents for acquiring or retaining customers on behalf of the Group, are recognised as customer-related intangible assets in the statement of financial position when the related payment obligation is recorded. Costs are amortised over the contract life; typically this is over the customer contract period as new commissions are payable on contract renewal.

	License and spectrum fees €000	Computer software €000	Customer-related intangible assets €000	Other €000	Total €000
Cost					
At 1 April 2020	**1,346,131**	**1,257,749**	**510,979**	**732**	**3,115,591**
Additions	8,514	99,228	365,752	-	**473,494**
Disposals	-	(131,028)	-	-	**(131,028)**
Amounts written down	-	-	**(339,686)**	-	**(339,686)**
At 31 March 2021	**1,354,645**	**1,225,949**	**537,045**	**732**	**3,118,371**
Additions	366,575	117,531	344,923	-	**829,029**
Disposals	-	(540,677)	-	-	**(540,677)**
Other	(75,859)	-	-	-	**(75,859)**
Amounts written down	-	-	**(352,903)**	-	**(352,903)**
At 31 March 2022	**1,645,361**	**802,803**	**529,065**	**732**	**2,977,961**
Additions	8,001	102,308	307,504	-	**417,813**
Disposals	-	(46,374)	-	-	**(46,374)**
Amounts written down	-	-	(361,630)	-	**(361,630)**
At 31 March 2023	**1,653,362**	**858,737**	**474,939**	**732**	**2,987,770**
At 1 April 2020	**(794,615)**	**(1,044,297)**	**(268,620)**	**(256)**	**(2,107,788)**
Charge for the year	(47,627)	(79,779)	(344,488)	(146)	**(472,040)**
Disposals	-	129,836	-	-	**129,836**
Amounts written down	-	-	339,686	-	**339,686**
At 31 March 2021	**(842,242)**	**(994,240)**	**(273,422)**	**(402)**	**(2,110,306)**
Charge for the year	(28,949)	(80,013)	(357,082)	(144)	**(466,188)**
Disposals	-	540,504	-	-	**540,504**
Amounts written down	-	-	352,903	-	**352,903**
At 31 March 2022	**(871,191)**	**(533,749)**	**(277,601)**	**(546)**	**(1,683,087)**
Charge for the year	(52,127)	(97,382)	(339,464)	(146)	**(489,119)**
Disposals	-	46,293	-	-	**46,293**
Amounts written down	-	-	361,630	-	**361,630**
At 31 March 2023	**(923,318)**	**(584,838)**	**(255,435)**	**(692)**	**(1,764,283)**
Net book value					
At 1 April 2020	**551,516**	**213,452**	**242,359**	**476**	**1,007,803**
At 31 March 2021	**512,403**	**231,709**	**263,623**	**330**	**1,008,065**
At 31 March 2022	**774,170**	**269,054**	**251,464**	**186**	**1,294,874**
At 31 March 2023	**730,044**	**273,899**	**219,504**	**40**	**1,223,487**

Intangible assets (continued)

For licences and spectrum fees, computer software, customer-related intangibles and other intangible assets, amortisation is included within the depreciation, amortisation and impairment line within the statement of comprehensive income. Included in the net book value of computer software are assets in the course of construction, which are not amortised, with a cost of €68,311 thousand (2022: €73,046 thousand, 2021: €51,324 thousand).

The Group has recognised as an intangible asset an administrative concession from the Spanish Government amounting to €262,000 thousand, comparable to the financial contribution to the Public Treasury required for the granting of the corresponding authorisation to provide mobile communications services under GSM standards, which is amortised on a straight-line basis from 2003 to 2028, and €174,554 thousand for obtaining the licence to provide the DCS-1800 personal mobile communications service, which is amortised on a straight-line basis from 2003 and the concession period extends to 2030.

In 2000 the company was awarded the administrative concession to operate the third-generation mobile communications service (UMTS), the cost of which was €132,589 thousand, plus the corresponding taxes. The Group started amortising this licence from 2004 and the concession period runs until 2030. The Group has also been awarded concessions for the exclusive use of the public radio spectrum in the 800 MHz and 2.6 GHz bands.

In the 800 MHz band the concession came into use in 2015 and will run until 2031. The activated cost amounted to a total of €458,519 thousand.

In the 2.6 GHz band, the Group holds the 40 MHz usage reserve allocated for €69,480 thousand. It is currently being operated, began to be amortised in 2011 and its concession period runs until 2030.

During the year ended 31 March 2019, the company received the concession for the exclusive use of 90 MHz of the 3.7 GHz band, for the development and operation of the 5G network, the concession period being 20 years. The registration of these concessions amounted to €201,623 thousand. It is currently being operated and began to be amortised in the financial year ended 31 March 2020.

During the year ended 31 March 2022, the Group received the concession for the exclusive use of 700 MHz, for the expansion of 5G services, for a concession period of 20 years, automatically renewable for another 20 years. The registration of these concessions amounted to €350,000 thousand.

The transfer tax (ITP) paid on the licences mentioned in the preceding paragraphs amounts to €81,080 thousand. This amount includes €16,575 thousand paid for the tax levied on the 5G concession for the exclusive use of 700 MHz received in the financial year ended 31 March 2022.

In the year ended 31 March 2022, license and spectrum fees costs amounting to €75,859 thousand were derecognised, as a result of the application of Supreme Court Ruling 51/2022 and subsequent case law. Likewise, €20,743 thousand of amortisation charges of the period were deducted from the amortisation charge of the year.

9. Property, plant and equipment

The Group makes significant investments in network equipment and infrastructure – the base stations and technology required to operate the networks – that form most of the tangible assets. All assets are depreciated over their useful economic lives. For further details on the estimation of useful economic lives, see ‘Critical accounting judgements and key sources of estimation uncertainty’ in Note 1 ‘Basis of preparation ‘to the Historical Financial Information.

Accounting policies

Land and buildings held for use are stated in the statement of financial position at their cost, less any accumulated depreciation and any accumulated impairment losses.

Amounts for equipment, fixtures and fittings, which includes network infrastructure assets are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. Depreciation is charged to write off the cost of assets, other than land, using the straight-line method, over their estimated useful lives, as follows:

Land and buildings	
– Freehold buildings	5 - 25 years
– Leasehold premises	the term of the lease
Equipment, fixtures and fittings	
– Network infrastructure and other	1 - 35 years

Depreciation is not provided on freehold land.

Property, plant and equipment (continued)

Right-of-use assets arising from the Group's lease arrangements are depreciated over their reasonably certain lease term, as determined under the Group's leases policy (see Note 15 'Leases' and 'Critical accounting judgements and key sources of estimation uncertainty' in Note 1 for details).

The gain or loss arising on the disposal, retirement or granting of a finance lease on an item of property, plant and equipment is determined as the difference between any proceeds from sale or receivables arising on a lease and the carrying amount of the asset and is recognised in the statement of comprehensive income.

	Land and buildings €000	Equipment, fixtures and fittings €000	Total €000
Cost			
At 1 April 2020	**322,003**	**10,525,560**	**10,847,563**
Additions	11,861	650,808	662,669
Disposals	(9,986)	(188,761)	(198,747)
At 31 March 2021	**323,878**	**10,987,607**	**11,311,485**
Additions	10,913	557,725	568,638
Disposals	(47,508)	(207,788)	(255,296)
At 31 March 2022	**287,283**	**11,337,544**	**11,624,827**
Additions	5,616	459,681	465,297
Disposals	(7,577)	(260,609)	(268,186)
At 31 March 2023	**285,322**	**11,536,616**	**11,821,938**
Accumulated depreciation and impairment			
At 1 April 2020	**(171,174)**	**(6,383,106)**	**(6,554,280)**
Charge for the year	(9,493)	(763,641)	(773,134)
Disposals	4,621	152,463	157,084
At 31 March 2021	**(176,046)**	**(6,994,284)**	**(7,170,330)**
Charge for the year	(17,850)	(764,526)	(782,376)
Disposals	43,346	188,552	231,898
At 31 March 2022	**(150,550)**	**(7,570,258)**	**(7,720,808)**
Charge for the year	(17,179)	(701,736)	(718,915)
Disposals	4,899	243,944	248,843
At 31 March 2023	**(162,830)**	**(8,028,050)**	**(8,190,880)**
Net book value			
At 1 April 2020	**150,829**	**4,142,454**	**4,293,283**
At 31 March 2021	**147,832**	**3,993,323**	**4,141,155**
At 31 March 2022	**136,733**	**3,767,286**	**3,904,019**
At 31 March 2023	**122,492**	**3,508,566**	**3,631,058**

Included in the net book value of equipment, fixtures and fittings are assets in the course of construction, which are not depreciated, with a cost of €211,045 thousand (2022: €211,142 thousand, 2021: €213,550 thousand). Also included in the book value of equipment, fixtures and fittings are assets leased out by the Group under operating leases, with a cost of €403,548 thousand (2022: €425,541 thousand, 2021: €433,115 thousand), accumulated depreciation of €278,091 thousand (2022: €261,398 thousand, 2021: €223,788 thousand) and net book value of €125,457 thousand (2022: €164,143 thousand, 2021: €209,326 thousand).

Loss on disposals of €12,267 thousand for the year ended 31 March 2023 (2022: €16,819 thousand, 2021: €27,069 thousand) are included within other expenses.

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

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Property, plant and equipment (owned assets)	3,631,058	3,904,019	4,141,155
Right-of-use assets	1,009,553	1,106,444	1,182,697
Total	**4,640,611**	**5,010,463**	**5,323,852**

Additions of €334,279 thousand (2022: €436,515 thousand, 2021: €893,515 thousand), a depreciation charge of €424,600 thousand (2022: €459,251 thousand, 2021: €410,056 thousand) were recorded in respect of right-of-use assets.

10. Trade and other receivables

Trade and other receivables mainly consist of amounts owed to us by customers and amounts that we pay to the suppliers in advance. See Note 15 'Leases' for more information on the Group's leasing activities.

Accounting policies

Trade receivables represent amounts owed by customers where the right to receive payment is conditional only on the passage of time. Trade receivables that are recovered in instalments from customers over an extended period are 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. When the Group establishes a practice of selling portfolios of receivables from time to time these portfolios are recorded at fair value through other comprehensive income; all other trade receivables are recorded at amortised cost.

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

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Included within non-current assets			
Trade receivables held at fair value through other comprehensive income	49,086	62,631	58,364
Contract assets	47,862	47,672	35,867
Contract-related costs	2,598	2,024	2,243
Other receivables	39,263	12,043	11,317
Prepayments	6,643	7,779	9,156
Total	**145,452**	**132,149**	**116,947**
Included within current assets			
Trade receivables	197,420	188,595	207,508
Trade receivables held at fair value through other comprehensive income	64,425	72,852	74,146
Contract assets	209,749	205,852	195,959
Contract-related costs	6,028	8,579	9,924
Amounts owed by group undertakings	366,334	242,083	438,335
Other receivables	77,172	53,230	30,004
Prepayments	121,299	186,615	103,944
Total	**1,042,427**	**957,806**	**1,059,820**

The Group's trade receivables and contract assets are classified at amortised cost unless stated otherwise and are measured after allowances for future expected credit losses, see Note 17 'Capital and financial risk management' for more information on credit risk.

The carrying amounts of trade and other receivables, which are measured at amortised cost, approximate their fair value and are predominantly non-interest bearing.

The Group's contract-related costs comprise costs incurred to fulfil customer contracts; an amortisation and impairment expense of €11,208 thousand (2022: €14,621 thousand, 2021: €12,184 thousand) was recognised in operating losses (other expenses) during the year.

11. Trade and other payables

Trade and other payables mainly consist of amounts owed to suppliers that have been invoiced or are accrued and contract liabilities relating to consideration received from customers in advance. They also include taxes and social security amounts due in relation to the Group's role as an employer.

Accounting policies

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

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Included within non-current liabilities			
Other payables	72	172	338
Accruals	3,010	3,726	4,694
Contract liabilities	44,424	47,749	52,187
Total	**47,506**	**51,647**	**57,219**
Included within current liabilities			
Trade payables	918,680	933,581	977,522
Amounts owed to associates and joint ventures	-	6	5
Other taxes and social security payable	185,988	201,990	211,798
Other payables	3,004	9,523	8,257
Accruals	231,677	336,998	296,088
Contract liabilities	55,814	45,858	50,287
Total	**1,395,163**	**1,527,956**	**1,543,957**

The carrying amounts of trade and other payables approximate their fair value.

Materially all of the contract liabilities outstanding as of 31 March 2023, 2022 and 2021 are recognised as revenue in the following year.

12. Reconciliation of net cash flow from operating activities

The table below shows how the loss for the year from continuing operations translates into cash flows generated from operating activities.

	Notes	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Loss for the financial year		**(198,102)**	**(248,526)**	**(121,523)**
Financing income	5	(15,685)	(13,053)	-
Financing costs	5	119,377	67,808	78,182
Income tax credit	6	(169)	(30,989)	(17,161)
Operating loss		**(94,579)**	**(224,760)**	**(60,502)**
Adjustments for:				
Share-based payments and other non-cash charges		4,572	4,004	7,196
Depreciation, amortisation and impairment losses	8, 9	1,632,634	1,707,815	1,655,230
Loss on disposal of property, plant and equipment and intangible assets		12,267	16,819	27,069
Decrease/ (increase) in inventory		29,228	(11,666)	10,146
(Increase)/decrease in trade and other receivables	10	(48,833)	(21,935)	17,559
Decrease in trade and other payables	11	(84,813)	(15,778)	(26,364)
Interest received		27,901	5	-
Interest paid		(118,705)	(68,001)	(80,016)
Cash generated by operations		**1,359,672**	**1,386,503**	**1,550,318**
Net tax paid		(388)	27	(262)
Net cash flow from operating activities		**1,359,284**	**1,386,530**	**1,550,056**

13. Provisions

A provision is a liability recorded in the statement of financial position, where there is uncertainty over the timing or amount that will be paid and is therefore often estimated. The main provisions we hold are in relation to asset retirement obligations, which include the cost of returning network infrastructure sites to their original condition at the end of the lease and claims for legal and regulatory matters.

Accounting policies

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Where the timing of settlement is uncertain undiscounted amounts are classified as non-current as settlement is expected more than 12 months from the reporting date.

Asset retirement obligations

In the course of the Group's activities, a number of sites and other assets are utilised which are expected to have costs associated with decommissioning. The associated cash outflows are substantially expected to occur at the dates of decommissioning of the assets to which they relate and are long term in nature.

Legal and regulatory

The Group is involved in a number of legal and other disputes, including where the Group has received notifications of possible claims. The Directors of the Group, after taking legal advice, have established provisions considering the facts of each case.

Restructuring

The Group undertakes periodic reviews of its operations and recognises provisions as required based on the outcomes of these reviews. The associated cash outflows for restructuring costs are primarily less than one year.

Other

The other provision is related to a litigation with former directors of Vodafone ONO S.A.U. The timing and expected cash outflow of this provision is uncertain and depends upon the outcome of the litigation.

	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
At 1 April 2020	**59,321**	**74,348**	**46,877**	**40,510**	**221,056**
Amounts charged to statement of losses	-	43,086	12,725	-	55,811
Amounts capitalised in the year	11,538	-	-	-	11,538
Utilised in the year – payments	(2,785)	(6,597)	(8,445)	(12,135)	(29,962)
Amounts released to the statement of losses	679	(17,806)	(1,919)	-	(19,046)
Other movements	(5,146)	859	-	4,542	255
At 31 March 2021	**63,607**	**93,890**	**49,238**	**32,917**	**239,652**
Amounts charged to the statement of losses	-	26,121	72,950	-	99,071
Amounts capitalised in the year	10,051	-	-	-	10,051
Utilised in the year – payments	(2,774)	(33,939)	(65,716)	-	(102,429)
Amounts released to the statement of losses	185	(31,672)	(889)	(832)	(33,208)
Other movements	(6,339)	-	-	829	(5,510)
At 31 March 2022	**64,730**	**54,400**	**55,583**	**32,914**	**207,627**
Amounts charged to the statement of losses	-	24,784	25,407	-	50,191
Amounts capitalised in the year	2,135	-	-	-	2,135
Utilised in the year – payments	(4,898)	(16,223)	(23,818)	-	(44,939)
Amounts released to the statement losses	932	(18,416)	(19,131)	(52)	(36,667)
Other movements	(1,827)	2,271	(285)	443	602
At 31 March 2023	**61,072**	**46,816**	**37,756**	**33,305**	**178,949**

Provisions (continued)

Provisions have been analysed between current and non-current as follows:

At 31 March 2023	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
Current	6,860	1,309	20,527	620	29,316
Non-current	54,212	45,507	17,229	32,685	149,633
Total	**61,072**	**46,816**	**37,756**	**33,305**	**178,949**

At 31 March 2022	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
Current	4,728	2,986	27,108	619	35,441
Non-current	60,002	51,414	28,475	32,295	172,186
Total	**64,730**	**54,400**	**55,583**	**32,914**	**207,627**

At 31 March 2021	Asset retirement obligations €000	Legal and regulatory €000	Restructuring €000	Other €000	Total €000
Current	3,633	3,279	19,889	1,454	28,255
Non-current	59,974	90,611	29,349	31,463	211,397
Total	**63,607**	**93,890**	**49,238**	**32,917**	**239,652**

14. Cash and cash equivalents

The Group's cash is held in current bank accounts with no restrictions on use.

Accounting policies

Cash and cash equivalents comprise cash in hand and call deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. All cash and cash equivalents are measured at amortised cost.

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Cash and cash equivalents as presented in the statement of financial position and the statement of cash flows	**4,479**	**4,642**	**6,619**

The carrying amount of balances at amortised cost approximates their fair value.

15. Leases

The Group leases assets from other parties (the Group is a lessee) and also leases assets to other parties (the Group is a lessor). This note describes how the Group accounts for leases and provides details about its lease arrangements.

Accounting policies

As a lessee

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

Right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term is the non-cancellable period of the lease plus any periods for which the Group is 'reasonably certain' to exercise any extension options (see below).

The useful life of the asset is determined in a manner consistent to that for owned property, plant and equipment (as described in Note 9 'Property, plant and equipment'). If right-of-use assets are 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 usually discounted using the incremental borrowing rates of the applicable Group entity (the rate implicit in the lease is used if it is readily determinable). Lease payments included in the lease liability include both fixed payments and in-substance fixed payments during the term of the lease.

Leases (continued)

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 Group's assessment of the lease term changes; any changes in the lease liability as a result of these changes also results in a corresponding change in the recorded right-of-use asset.

As a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise, the lease is an operating lease.

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

Income from operating leases is recognised on a straight-line basis over the lease term. Income from finance leases is recognised at lease commencement with interest income recognised over the lease term.

Lease income is recognised as revenue for transactions that are part of the Group's ordinary activities (primarily leases of handsets or other equipment to customers, leases of wholesale access to the Group's fibre and cable networks and leases of tower infrastructure assets). The Group uses IFRS 15 principles to allocate the consideration in contracts between any lease and non-lease components.

The Group's leasing activities as a lessee

The Group leases buildings for its offices and data centres, space on mobile base stations to place active RAN equipment and network space (primarily rack space or duct space). In addition, the Group leases fibre and other fixed connectivity to provide internal connectivity for the Group's operations and on a wholesale basis from other operators to provide fixed connectivity services to the Group's customers.

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

Most of the Group's leases include future price increases through 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 Group has not separated the embedded non lease components when accounting for tower leases when it is not the anchor tenant, hence all payments due under such lease agreements are reflected as lease obligations and right-of-use assets in the balance sheet. In those cases, in which the Group is the anchor tenant, the non lease component are expected to be paid mainly by the Group and, as a consequence, they have been identified and excluded from the right of use assets and lease obligations. The non-lease component amounts are recognised as expenses when incurred.

The right of use of the sites where the Group is the anchor tenant amounts €371,518 thousand (2022: €436,130 thousand, 2021: €500,742 thousand).

The Group has tripartite contracts with multiple tower companies. In those cases, the cash payments made by each contract participants can be variable, but the total compensation remains the same and as such, independently of the payments the whole compensation for the use of the leases has been recognised as a right of use.

When the unavoidable costs of complying with the obligations involved exceed the economic benefits expected to be received, and the pertinent actions have been taken to avoid this result, the right of use is then impaired.

Optional lease periods

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

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

The Group's cash outflow for leases (including lease interest) in the year ended 31 March 2023 was €514,602 thousand (2022: €548,602 thousand, 2021: €467,771 thousand) and, absent significant future changes in the volume of the Group's activities or strategic changes to use more or fewer owned assets this level of cash outflow from leases would be expected to continue for future periods, subject to contractual price increases.

The future cash outflows included within lease liabilities are shown in the maturity analysis below. The maturity analysis only includes the reasonably certain payments to be made; cash outflows in these future periods will likely exceed these amounts as payments will be made on optional periods not considered reasonably certain at present and on new leases entered in future periods.

Leases (continued)

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

Amounts recognised in the primary Historical Financial Information in relation to lessee transactions

Right-of-use assets

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

Lease liabilities

The Group's lease liabilities are disclosed in Note 16 'Borrowings'. The maturity profile of the Group's lease liabilities is as follows:

	31 March 2023	31 March 2022	31 March 2021
	€000	€000	€000
Within one year	375,544	388,100	438,630
In more than one year but less than two years	229,477	227,062	227,257
In more than two years but less than three years	213,180	212,269	207,879
In more than three years but less than four years	195,419	190,303	194,572
In more than four years but less than five years	168,668	172,702	178,741
In more than five years	231,308	354,092	454,506
	1,413,596	**1,544,528**	**1,701,585**
Effect of discounting	(135,215)	(110,245)	(133,717)
Lease liabilities	**1,278,381**	**1,434,283**	**1,567,868**

Interest expense on lease liabilities for the year is disclosed in Note 5 'Net financing costs'.

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

The Group's leasing activities as a lessor

The Group has a wide range of lessor activities with consumer and enterprise customers, other telecommunication companies and other companies. With consumer and enterprise customers, the Group generates lease income from the provision of handsets, routers and other communications equipment. The Group provides wholesale access to the Group's fibre and cable networks and leases out space on the Group's owned mobile base stations to other telecommunication companies.

Lessor transactions are classified as operating or finance leases based on whether the lease transfers substantially all of the risks and rewards incidental to ownership of the asset. Leases are individually assessed, but generally, the Group's lessor transactions are classified as:

- Operating leases where the Group provides routers or similar equipment to fixed customers; and
- Operating leases where the Group is lessor of space on owned mobile base stations, provides wholesale access to its fibre and cable networks or provides space in their offices.

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

	2023 €000	2022 €000	2021 €000
Operating leases			
Lease revenue	44,859	56,188	47,419
Income from leases not recognised as revenue	1,735	1,651	12,342

The Group's net investments in leases are disclosed in Note 10 'Trade and other receivables'.

Leases (continued)

The committed amounts to be received from the Group's operating leases are as follows:

	Maturity						
	Within one year €000	In one to two years €000	In two to three years €000	In three to four years €000	In four to five years €000	In more than five years €000	**Total €000**
31 March 2023							
Committed operating lease payments due to the Group as a lessor	**1,559**	**1,053**	**878**	**798**	**577**	**20**	**4,885**
31 March 2022							
Committed operating lease payments due to the Group as a lessor	**1,564**	**1,189**	**907**	**833**	**782**	**590**	**5,865**
31 March 2021							
Committed operating lease payments due to the Group as a lessor	**1,479**	**1,260**	**1,103**	**856**	**819**	**1,368**	**6,885**

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

16. Borrowings

The Group's sources of borrowing for funding and liquidity purposes come primary from Vodafone Group. Liabilities arising from the Group's lease arrangements are also reported in borrowings; see Note 15 'Leases'.

Accounting policies

Interest-bearing loans and overdrafts 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. Where they are identified as a hedged item in a designated fair value hedge relationship, fair value adjustments are recognised in accordance with the policy (see Note 17 'Capital and financial risk management'). Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

Borrowings (continued)

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Non-current borrowings	(4,265,488)	(4,249,378)	(3,984,482)
Lease liabilities (Note 15)	(934,390)	(1,059,530)	(1,143,318)
Other borrowings[1]	(3,331,098)	(3,189,848)	(2,841,164)
Current borrowings	(366,985)	(390,546)	(442,487)
Lease liabilities (Note 15)	(343,991)	(374,753)	(424,550)
Other borrowings[1]	(22,994)	(15,793)	(17,937)
Total Borrowings	**(4,632,473)**	**(4,639,924)**	**(4,426,969)**

Note:
1. Includes €146,449 thousand (2022: €155,198 thousand, 2021: €163,748 thousand) of licence and spectrum fees payable in non-current and €11,328 thousand (2022: €10,782 thousand, 2021: €10,704 thousand) within current borrowings.

On 24 September 2015, the Group signed a loan agreement with Vodafone Luxembourg S.à.r.l. for a loan with a €3,000,000 thousand limit, which matured on September 24, 2021, and was extended on 24 March 2021 to September 24, 2022, and was cancelled in advance on 31 March 2022. The balance drawn down on this loan as of 31 March 2021, was €2,679,764 thousand (2020: €2,990,180 thousand), booked under the item non-current Borrowings. The financial charges outstanding as of 31 March 2022 and 31 March 2021 are booked under Current Borrowings. The average interest accrued was 0.42% in the year ended 31 March 2022 (2021: 0.46%, 2020: 0.55%).

On 27 July 2021, the Group signed a €300,000 thousand loan with Vodafone Luxembourg S.à.r.l. for the acquisition of Vodafone España, S.A.U. of the concession for the exclusive use of 700 MHz for the expansion of 5G services. It was due to expire on 23 September 2022 and was cancelled early on 31 March 2022. The financial charges outstanding as of 31 March 2022 are booked under Current Borrowings. The average interest accrued was 0.13% in the year ended 31 March 2022.

On 31 March 2022, the Group formalised a new loan with Vodafone Luxembourg S.à.r.l. with a limit of €3,300,000 thousand, maturing on 31 March 2027. The balance drawn down on this loan as of 31 March 2023, was €3,184,649 thousand (2022: €3,034,649 thousand), booked under the item Non-current Borrowings. The financial charges outstanding as of 31 March 2023 and 2022, are booked under Current Borrowings. The average interest accrued was 2.45% in the year ended 31 March 2023 (2022: 1.26%).

On 24 June 2020, the Vodafone Group Plc through its subsidiary Vodafone Europe, B.V., decided to make a contribution of €3,500,000 thousand to the Group's equity in order to re-establish the balance between capital and equity, which had been reduced by losses. On the same date, Vodafone Holdings Europe, S.L.U. repaid the total amount drawn down on the loan received from Vodafone Investments Luxembourg, S.à.r.l. dated 24 September 2015 and maturing on 24 September 2020, amounting to €2,974,611 thousand (the average interest accrued was 0.39% in the year ended 31 March 2021 (2020: 0.35%) as well as loans with Vodafone Luxembourg S.à.r.l. dated 24 September 2015 for the entire amount drawn down, €227,746 thousand for the loan maturing on 24 September 2020 (the average interest accrued was 0.32% in the year ended 31 March 2021 (2020: 0.42%), and partial early repayment of the amount drawn down of €297,644 thousand for the loan maturing on 24 September 2022.

On 31 March 2023, the Group signed a new loan with Vodafone Luxembourg S.à.r.l. with a limit of €300,000 thousand, maturing on 31 March 2028, which accrues a Euribor-indexed floating interest rate plus 1.49%. There is no balance drawn down on this loan as of 31 March 2023.

17. Capital and financial risk management

This note details the treasury management and financial risk management objectives and policies, as well as the exposure and sensitivity of the Group to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks.

Accounting policies

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Capital and financial risk management (continued)

Sale of trade receivables

During the year, the Group sold certain trade receivables to another Vodafone Group entity. Whilst there are no repurchase obligations in respect of these receivables, the Group provided credit guarantees which would only become payable if default rates were significantly higher than historical rates. The credit guarantee is not considered substantive and substantially all risks and rewards associated with the receivables passed to the purchaser at the date of sale, therefore the receivables were derecognised. Trade receivables sold as of 31 March 2023 was €153,468 thousand (2022: €142,873 thousand, 2021: €109,072 thousand).

Financial risk management

The Group's activities expose it to various financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. The Group's Financial risk management policies seek to reduce the Group’s exposure to any future disruption to financial markets, including any future impacts from COVID or other macro economic events.

The Group has policies in place to control the exposure to market, credit and liquidity risks.

Market risk

Exchange rate risk

Exchange rate risk arising from financial assets or liabilities of a monetary nature and denominated in a currency other than the Group's functional currency.

As of 31 March 2023, 2022 and 2021, there are no significant financial liabilities denominated in a currency other than the euro and no derivative financial instruments contracted by the Group.

Cashflow interest rate risk

The Group's interest rate risk arises from the borrowed funds. Borrowings issued at floating rates expose the Group to cashflow interest rate risks.

As of 31 March 2023, the Group's exposure to cash flow interest rate risk is mainly due to the debt with Vodafone Luxembourg, S.à.r.l., a Vodafone Group undertaking, amounting to €3,196,405 thousand (31 March 2022: €3,039,659 thousand, 31 March 2021: €2,684,649 thousand with Vodafone Investments Luxembourg S.à.r.l) which accrues a Euribor-indexed floating interest rate plus a margin. Management of cash flow interest rate risk is centralised in the Vodafone Group. It also includes third-party debt for the concession for the private use of radio spectrum granted in the year ended 31 March 2019, in the amount of €146,499 thousand as of 31 March 2023 (31 March 2022: €155,198 thousand, 31 March 2021: €163,748 thousand) which accrues a fixed interest rate.

Credit risk

The Group's main financial assets are balances of cash and cash equivalents, trade and other accounts receivable, which represent the Group's greatest exposure to credit risk in relation to financial assets.

The Group's credit risk is mainly attributable to its trade accounts payable. Most of its customers are retail businesses, although it also has corporations and other operators as customers.

The credit risk arises because the Group might not recover the carrying amount of the financial assets or recover them on time. Group Management believes that the carrying amount of the accounts receivable and other receivables is approximately the same as their fair value.

The amounts shown on the balance sheet are net of allowances for uncollectible amounts. It is the Group's policy to regularly and systematically assess the risk of insolvency of its customers' receivables in order to record the appropriate provisions in the statement of comprehensive income and assess the appropriateness of correcting the level of credit allowed to customers (in this regard, the Group has in place restrictive credit scoring procedures prior to the opening of new accounts).

With respect to the credit risk arising from cash and cash equivalents, the Group only works with reputable financial institutions that have a high credit rating.

Expected credit loss

The Group has financial assets classified and measured at amortised cost and fair value through other comprehensive income that are subject to the expected credit loss model requirements of IFRS 9.

Cash at bank and in hand are both classified and measured at amortised cost and subject to impairment requirements. However, the identified expected credit loss is considered to be immaterial.

Capital and financial risk management (continued)

Information about expected credit losses for trade receivables (amortised cost and fair value) and contract assets is detailed below:

	Total €000
At 1 April 2020	**184,578**
Amounts charged to credit losses on financial assets	125,855
Write-offs and other movements	(90,716)
At 31 March 2021	**219,717**
Amounts charged to credit losses on financial assets	115,484
Write-offs and other movements	(94,681)
At 31 March 2022	**240,520**
Amounts charged to credit losses on financial assets[1]	34,862
Write-offs and other movements	(62,336)
At 31 March 2023	**213,046**

Note:
1. The Group started a process to increase the recoverability of bad debt accounts, this led to the recognition of a lower bad debt provision amounting €62.9 thousand in that fiscal year.

Expected credit losses are presented within operating losses and subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity risk

For the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, the Group has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities granted by the Vodafone Group.

The Group maintains cash and cash equivalents which at 31 March 2023 amounted to cash €4.5 million (2022: €4.6 million, 2021: €6.6 million) and undrawn committed facilities with different financial institutions of €35.5 million (2022: €35.5 million, 2021: €35.5 million). The Group manages liquidity risk on non-current borrowings by maintaining a varied maturity profile with a cap on the level of debt maturity in any one calendar year, therefore minimising refinancing risk. Non-current borrowings mature between one and more than five years.

The maturity profile of the anticipated future cash flows in relation to the Group's financial liabilities ('other borrowings') on an undiscounted basis which, therefore, differs from both the carrying value and fair value, is as follows:

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Within one year	22,994	15,793	17,937
In more than one year but less than two years	12,397	12,397	2,692,161
In more than two years but less than three years	12,397	12,397	12,397
In more than three years but less than four years	3,197,047	12,397	12,397
In more than four years but less than five years	12,397	3,047,043	12,397
In more than five years	123,969	136,370	148,767
	3,381,201	**3,236,397**	**2,896,056**
Effect of discounting	(27,109)	(30,756)	(36,955)
Other borrowings (Note 16)	**3,354,092**	**3,205,641**	**2,859,101**

Capital and financial risk management (continued)

Changes in assets and liabilities arising from financing activities

	Lease liabilities €000	Other liabilities €000	Assets and liabilities arising from financing activities €000
At 1 April 2020	**864,913**	**6,409,966**	**7,274,879**
Cash movements			
Lease payments	(442,132)	-	(442,132)
Net movements in loans due to related parties	-	(3,536,932)	(3,536,932)
Repayment of other borrowings	-	(8,161)	(8,161)
Interest paid	(25,639)	(48,018)	(73,657)
Non-cash movements			
Interest costs	28,807	43,016	71,823
Net lease additions	1,117,377	-	1,117,377
Transfer to held for sale	24,542	(770)	23,772
At 31 March 2021	**1,567,868**	**2,859,101**	**4,426,969**
Cash movements			
Lease payments	(515,629)	-	(515,629)
Net movements in loans due to related parties	-	355,007	355,007
Repayment of other borrowings	-	(8,353)	(8,353)
Interest paid	(32,973)	(32,688)	(65,661)
Non-cash movements			
Interest costs	32,899	32,574	65,473
Net lease additions	382,118	-	382,118
At 31 March 2022	**1,434,283**	**3,205,641**	**4,639,924**
Cash movements			
Lease payments	(483,220)	-	(483,220)
Net movements in loans due to related parties	-	156,659	156,659
Repayment of other borrowings	-	(8,549)	(8,549)
Interest paid	(31,382)	(82,701)	(114,083)
Non-cash movements			
Interest costs	31,801	83,042	114,843
Net lease additions	326,899	-	326,899
At 31 March 2023	**1,278,381**	**3,354,092**	**4,632,473**

Fair value and carrying value information

These financial assets are measured at fair value and the basis is a level 2 classification which comprises items where fair value is determined from inputs other than quoted prices that are observable for the asset, either directly or indirectly.

The carrying value and valuation basis of the Group's financial assets are set out in Note 10 'Trade and other receivables' and 14 'Cash and cash equivalents'. For all financial assets held at amortised cost the carrying values approximate fair value.

The carrying value and valuation basis of the Group's financial liabilities are set out in Note 11 'Trade and other payables' and 16 'Borrowings'. The carrying values approximate fair value for the Group's trade payables and other payables categories.

Bank guarantees

Bank guarantees for €122,551 thousand as of 31 March 2023 (2022: €126,148 thousand, 2021: €154,376 thousand) have been provided to secure compliance with certain financial, operational and technical commitments entered into with the Ministry of Industry, Trade and Tourism, local councils and other public entities.

Consolidated guarantees amount as of 31 March 2023 comprise: Vodafone España S.A.U. for €90,062 thousand (2022: €76,257 thousand, 2021: €73,223 thousand), Vodafone ONO S.A.U. for €32,259 thousand (2022: €49,891 thousand, 2021: €81,153 thousand) and Vodafone Energía S.L.U for €230 thousand (2022: nil, 2021: nil).

18. Directors' compensation

The key management personnel of the Group are considered to be the Vodafone Holding Europe S.L.U. directors.

The aggregate emoluments of the directors of Vodafone Holding Europe S.L.U. were as follows:

	2023 €000	2022 €000	2021 €000
Salaries and fees	2,036	2,884	1,966
Incentive schemes	1,412	894	677
Total	**3,448**	**3,778**	**2,643**

19. Corporate costs

This note shows the average number of people employed by the Group during the year and in which areas of the business employees work. It also shows total employment costs.

	2023 Employees	2022 Employees	2021 Employees
By activity			
Executives	85	83	82
Middle management	546	569	561
Other line and departmental support personnel	3,378	3,560	3,600
Total	**4,009**	**4,212**	**4,243**

The cost incurred in respect of these employees (including Directors) was:

	2023 €000	2022 €000	2021 €000
Wages and salaries	207,063	215,200	216,359
Social security costs	58,601	57,695	56,382
Other pension costs	6,681	6,751	6,248
Share-based payments	4,700	3,524	6,882
Restructuring costs	(19,077)	64,024	(3,552)
Total	**257,968**	**347,194**	**282,319**

20. Share-based payments

Vodafone Group Plc has a number of share plans used to award shares to Executive Directors and employees as part of their remuneration package. A charge is recognised over the vesting period in the consolidated statement of comprehensive income to record the cost of these, based on the fair value of the award on the grant date.

Accounting policies

Vodafone Plc issues equity-settled share-based awards to certain employees. 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 award is expensed on a straight-line basis over the vesting period, based on Vodafone Group Plc's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. A corresponding increase in additional paid-in capital is also recognised. Payments made to Vodafone Group Plc. are debited to equity.

Some share awards have an attached market condition, based on total shareholder return ('TSR'), which is considered when calculating the fair value of the share awards. The valuation for the TSR is based on Vodafone's ranking within the same group of companies, where possible, over the past five years.

The fair value of awards of non-vested shares is a calculation of the closing price of Vodafone Group Plc's shares. shares on the day prior to the grant date, adjusted for the present value of the delay in receiving dividends where appropriate.

The maximum aggregate number of ordinary shares which may be issued in respect of share options or share plans will not (without shareholder approval) exceed:

- 10% of the ordinary share capital of Vodafone Group Plc in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten-year period under all plans; and
- 5% of the ordinary share capital of Vodafone Group Plc in issue immediately prior to the date of grant, when aggregated with the total number of ordinary shares which have been allocated in the preceding ten-year period under all plans, other than any plans which are operated on an all-employee basis.

21. Disposals

Assets and liabilities classified as held for distribution to owners on 1 April 2020 were disposed on 25 September 2020, through the disposal of Vantage Towers S.L.U.

The carrying amounts of assets and liabilities disposed by the Group as at the date of distribution were:

	September 2020 €000
Assets classified as held for distribution to owners	
Property, plant and equipment	348,138
Other accounts receivables	36,493
Trade receivables (current)	20,902
Trade receivables (non-current)	4,291
Cash and cash equivalents	70
Total assets of disposal group held for distribution to owners	**409,894**
Liabilities classifies as held for distribution to owners	
Long term borrowings (non-current)	175,484
Short term borrowings (current)	63,453
Trade payables (current)	27,113
Provisions (current)	1,098
Provisions (non-current)	32,574
Total liabilities of disposal group held for distribution to owners	**299,722**
Net assets held for distribution to owners	**110,172**

The property, plant and equipment assets disposed in the carve-out of Vantage Towers included mobile base station towers which were agreed to be leased back for eight years. The lease agreement includes an option to extend the original lease period for a further eight years, which can be renewed for three further renewal terms of the same period. These mobile base stations had a net book value of €64 million the date of disposal and had associated a right-of use asset related to site leases of €258 million and an asset of retirement obligation of €26 million.

The following disposed assets have been retained through a leaseback transaction:

	September 2020 €000
Station towers	64,134
Site leases	257,804
Asset for the retirement obligation	26,200
Total sold assets at carrying value	**348,138**
Station towers	360,882
Site leases	246,330
Asset for the retirement obligation	26,200
Total sold assets at fair value	**633,412**
Pre-restriction gain arising on disposal	**285,274**
Gain to be restricted (84.2%)	**240,072**

The fair value of the assets agreed to be leaseback is €633,412 thousand. The fair value of station towers was estimated by an independent specialist using the cost method of valuation at the date of the transaction. The fair value of site leases was measured considering the present value of the future lease payments under the agreement. Therefore, a total gain on disposal of €285,274 thousand was calculated as a result of the disposal; €240,072 thousand of this gain, reflecting the gain on the proportion of sold towers that has been retained through the leaseback, has been recorded as a reduction in the value of the right-of-use asset recognised for the leaseback of tower space and will be realised as a reduction in depreciation over the lease term (see Note 1.1.2 Lease accounting). This amount was reduced from the gain recorded in Accumulated profit.

The assets and liabilities measured at fair value were disposed as dividends of an amount of €974,000 thousand to be distributed to owners, this amount was equivalent to the value in use of Vantage Towers as of September 2020. The dividend was paid to the shareholders in kind with shares in Vantage Towers.

Disposals (continued)

	September 2020 €000
Net assets held for distribution	(110,172)
Dividend paid in kind	974,000
Net assets distributed to owners	**863,828**

This transaction is between entities under common control and it's outside the scope of the IFRIC 17 'Distributions of Non-cash Assets to Owners'. The Group has to make an accounting policy choice. Given the transaction happened between entities under common control, the Group applied the accounting policy to recognise the gain of €863,828 thousand for the appraisal of the net assets of Vantage in Accumulated profit.

22. Commitments

A commitment is a contractual obligation to make a payment in the future, mainly in relation to agreements to buy assets such as mobile devices, network infrastructure and IT systems and leases that have not commenced. These amounts are not recorded in the consolidated statement of financial position since we have not yet received the goods or services from the supplier. The amounts below are the minimum amounts that we are committed to pay.

Capital commitments

	2023 €000	2022 €000	2021 €000
Contracts placed for future capital expenditure not provided in the Historical Financial Information[1]	137,184	147,817	195,743

Note:
[1] Commitment includes contracts placed for property, plant and equipment and intangible assets.

23. Related party transactions and balances

Transactions and balances with related parties primarily comprise fees for the use of products and services, roaming and brand.

	31 March 2023 €000	31 March 2022 €000	31 March 2021 €000
Transactions with related parties			
Sales of goods and services	216,845	227,357	172,778
Purchase of goods and services	(828,091)	(941,378)	(935,996)
Operating expense (non-lease component)	(43,914)	(43,914)	(21,957)
Financing income	1,018	156	141
Financing costs	(80,329)	(29,354)	(40,202)
Right-of-use assets additions [1]	-	-	533,047
Purchases of tangible and intangible assets	(25,344)	(21,267)	(20,829)
Balances with related parties			
Trade balances owed:			
by related parties	40,402	37,462	44,110
to related parties	(194,209)	(137,090)	(175,514)
Lease	(528,078)	(612,467)	(694,786)
Other balances owed:			
by related parties	366,334	242,083	438,335
to related parties	(3,196,405)	(3,039,656)	(2,684,649)

Note:

1 The Right-of-use assets additions does not include any gain on disposal of leased assets impact.

Sale of trade receivables

During the year, the Group sold certain trade receivables to another Vodafone Group entity. Whilst there are no repurchase obligations in respect of these receivables, the Group provided credit guarantees which would only become payable if default rates were significantly higher than historical rates. The credit guarantee is not considered substantive and substantially all risks and rewards associated with the receivables passed to the purchaser at the date of sale, therefore the receivables were derecognised. Receivables sold as of 31 March 2023 was €153,468 thousand (2022: €142,873 thousand, 2021: €109,072 thousand).

Related party transactions and balances (continued)

Transactions with Directors other than compensation

During the three years ended 31 March 2023 and as of the date of issuance of the Historical Financial Information, no Director nor any other executive officer, nor any associate of any Director or any other executive officer, was indebted to the Group. During the three years ended 31 March 2023 and as of the date of issuance of the Historical Financial Information, the Group has not been a party to any other material transaction, or proposed transactions, in which any member of the key management personnel (including Directors, any other executive officer, senior manager, any spouse or relative of any of the foregoing or any relative of such spouse) had or was to have a direct or indirect material interest.

24. Related undertakings

A full list of subsidiaries is detailed below. No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Group's subsidiaries all have share capital consisting solely of ordinary shares. The percentage held by Group companies reflect both the proportion of nominal capital and voting rights.

Subsidiary accounting policies

A subsidiary is an entity directly or indirectly controlled by the Group. Control is achieved where the company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the Historical Financial Information of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The financial statements of the parent and its subsidiaries used in the preparation of the Historical Financial Information have the same reporting date.

In September 2022, a restructuring process was carried out within the Group where two subsidiaries, Vodafone España and Vodafone Enabler España, merged with Vodafone España as the surviving legal entity in the merger.

Company	Line of Business	Address[1]	Direct interest % 31 March			Indirect interest % 31 March		
			2023	2022	2021	2023	2022	2021
Vodafone España, S.A.U.	Telecommunications	Madrid	100	100	100	-	-	-
Vodafone Enabler España, S.L.	Telecommunications	Madrid	-	90	90	-	10	10
Vodafone ONO, S.A.U.	Telecommunications	Madrid	100	100	100	-	-	-
Vodafone Servicios, S.L.U.	Provision of services to group undertakings	Madrid	100	100	100	-	-	-
Vodafone Energía, S.L.U.[2]	Electric power business	Madrid	100	100	-	-	-	-

Notes:
1 The registered address of these companies is Avenida de América, 115, Madrid, Spain.
2 Vodafone Energía, S.L.U.was incorporated on 8 June 2021.

25. Subsequent events

On 30 June 2023, Vodafone Spain communicated to its employees a plan, to be executed during the second quarter of financial year ending 31 March 2024, to optimise the use of spaces in the headquarters premises. This event resulted in an impairment charge of €18,855 thousand relating to the reassessment of the useful lives of certain leased assets and €3,872 thousand relating to the reassessment of the useful lives of certain owned assets that has been recognised in the condensed consolidated interim historical financial information for the period that ended 30 June 2023.

Subsequent to the balance sheet date it was announced, during the month of September 2023, that the Chair, Mr. Antonio Manuel da Costa Coimbra will leave the Group. Mário Jorge Soares Vaz has been appointed as the new Chair.

The Group is engaged with ongoing legal disputes in regard to taxation levied upon mobile telephony operators. On 18 October 2023 and 31 October 2023, favourable resolutions to Vodafone Spain were issued by the courts in relation to Vodafone's claims for the 2012 and 2014 calendar years (respectively), resulting in the right to reimbursement (including associated interest) totalling €81 million. Legal disputes in relation to other years remain ongoing. No amounts have been recognised for reimbursements or associated interest in connection with the tax disputes as at 31 March 2023.

On 31 October 2023, the Vodafone Group Plc group signed an Acquisition Agreement for the sale of the entire issued share capital of Vodafone Holdings Europe S.L.U. to Zegona Communications Plc. Pursuant to the Acquisition Agreement, Zegona Communications Plc will pay to Vodafone Group Plc an amount of consideration of €5 billion on completion, which is subject to adjustments as set out in the Acquisition Agreement. The purchase price is based on an enterprise value of €5 billion. Completion is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including, amongst other things, the Council of Ministers (Consejo de Ministros) of the Spanish Government in respect of foreign direct investment into Spain, the approval of the Secretariat under the Ministry of Economic Affairs and Digital Transformation of the transfer of relevant concessions for the private use of the public radioelectric domain and approval being granted by the shareholders of Zegona Communications Plc.