

Financial Management

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Introduction

Vodafone Group Plc is a British multinational telecom company founded in 1985. Since then, it has grown to be one of the world's leading mobile telecommunications providers. The company achieved important milestones in the industry, with the first ever mobile call being made on their network in 1985, achieving market capitalization dominance in 2000 (*Office 2015*). While major competition has risen in recent years, Vodafone remains one of the leading mobile telecom providers, operating in 17 countries and partnering with networks in 46 additional countries and successfully operates in a highly competitive global market competing with other major multinational companies as well as regional and national companies (*Vodafone Group Plc Annual Report 2023*).

Their core business model centers on providing mobile voice, messaging, data, and fixed broadband services to both individual customers and businesses. Their offerings have also expanded to include integrated mobile and fixed line communications, roaming, advanced data services, and internet of things solutions. Additionally, the company has introduced innovative products like the mobile based money transfer service M-PESA, which has proven to be a success, reaching over 18.5 million customers and proving to be a profitable business model (*Wach, 2012*).

Since its inception, Vodafone has been making important strategic merger and acquisition moves to stay at the forefront of the market. Some of the more prominent ones include the takeover of the German Mannesmann AG in 2000 and the acquisition of India's Hutchinson Essar in 2007. In more recent times, significant events include the merger of Vodafone UK with Three UK in 2023, the sale of Vodafone Hungary to the Hungarian state in 2023, the sale of Vodafone Italy to Swisscom in March 2024 and the sale of Vodafone Spain to Zegona Communications in May 2024.

In April 2023, a significant leadership change has occurred in Vodafone, with the appointment of a new CEO Margherita Della Valle, who marked the beginning of a new strategic direction

In 2021, Vodafone started a strategic shift, implementing the Business Marketplace, an online portal that allows businesses to find and manage apps in a single secure location to provide value to small and medium-sized enterprises (SMEs) beyond its traditional telecom services. This SME strategy highlights how the company is a centralized platform, and sales channels are under local management. By taking this approach, Vodafone can scale their portfolio while providing the ability for locally operating companies to modify how they go to market. Vodafone has also rolled out initiatives

such as V-Hub, a digital advisory service to support SMEs to improve their operational efficiency through the introduction of integrated solutions. Established in 2020, it has since grown to cover the other countries as well and today V-Hub makes available solutions with over 5 million unique visitors. Strategic moves such as these and other events have significantly impacted the overall performance of Vodafone, leading to a new-look Europe geographical landscape with progress building on operational properties and concentrating resources on markets that represent significant revenue generative opportunities in the volatile space across telecommunications (*Donegan, 2023*).

Financially, the company has averaged \$44 billion in revenue between 2019-2022, followed by a 16% decline in 2023. The profits retained have been quite volatile, ranging between a loss of \$400 million in 2019-2020 to a high of \$12 profit billion for the year 2022-2023 *Macrotrends.net (2019)*.

In the UK, there is intense competition in the telecom industry, and the main competitors for Vodafone are Virgin Media O2, EE, and Lebara (*Similarweb, n/a*).

Financial Performance Review

This section carries out a comprehensive ratio analysis for Vodafone in the fiscal years 2020-2024 to assess its financial performance over the last five years. It examines profitability, liquidity, efficiency, and solvency by comparing them with their competitor, O2, for the most recent year available. Additionally, it will identify key strengths and weaknesses when compared against average industry figures for communication companies' financial ratios.

Key Financial Ratios

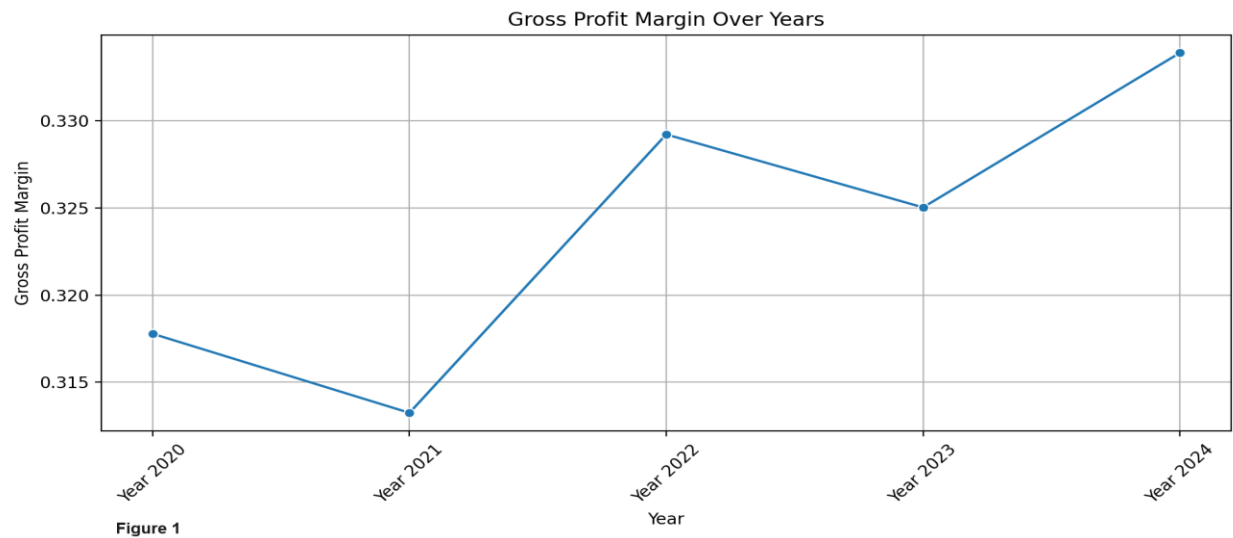
Financial ratios are used to track trends in a company's performance over time and compare their performance against competitors and industry averages, revealing strengths or weaknesses in areas like asset efficiency. These ratios are valuable tools for both external stakeholders and internal users to determine a company's financial health and performance (*CFI, 2023*).

The following ratios are calculated using information obtained from Vodafone's annual statements (*Appendix 1*). The numerical data provided will present an accurate evaluation of the company's financial health and will help track Vodafone's performance for the given period (*Appendix 3*).

Profitability Ratios

The **gross profit margin** ratio is calculated using the following formula: *(revenue-cost of sales)/revenue*. This can be expressed as a percentage by multiplying the result by 100, and it represents the profits a company makes after covering the cost of goods sold *Bloomenthal (2024)*.

For Vodafone, the gross profit margin has remained relatively stable, with a slight improvement from 31.7% to 33.3% over the 5-year period (*fig. 1*). There are small dips in this trend in 2021 and 2023 which can indicate there might have been increased costs or pricing pressures in the market. The general trend suggests that Vodafone has been managing its cost of sales well, both in terms of what they look like compared to revenues and how they relate to the company's overall costs when things were a bit better.

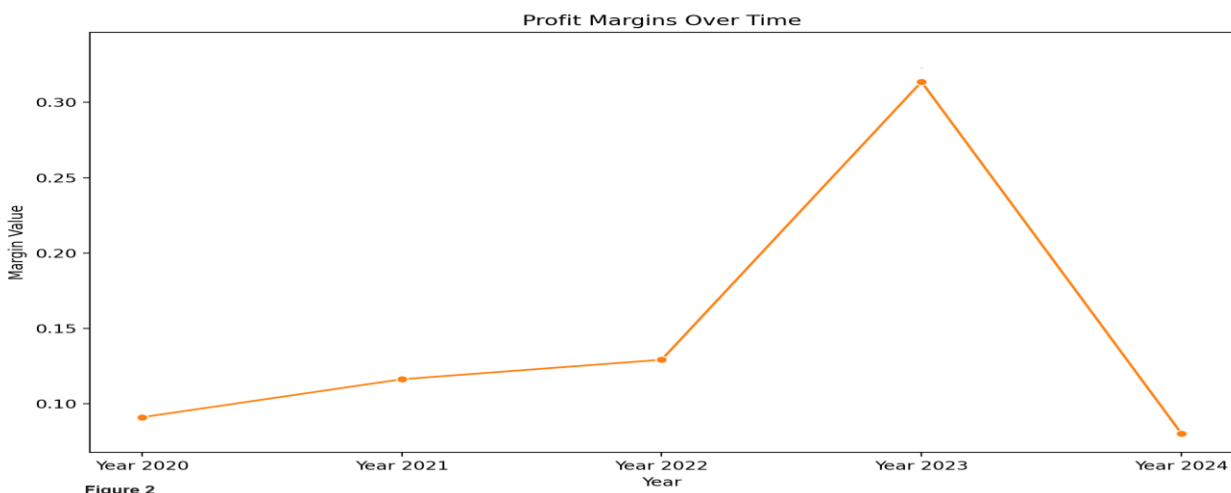


The industry average gross profit has been ranging between 52% in 2019, down to 44% in 2023 (*readyratios, n/a*), indicating a general downtrend in the sector. While Vodafone has been underperforming compared to the averages, they managed to maintain a stable margin and slightly increase it by 1.6% over the same period, showing resilience

in their business model compared to the wider industry. This difference also suggests there is room for improvement, and it is possible for the company to increase its profitability.

The **operating margin** is calculated by dividing the operating profits by total revenue. It includes rating costs, like interest payments, and is a good indicator of how profitable a company is (Hayes, 2024).

Over the five-year period, Vodafone's operating margin has been quite volatile. There is a clear upward trend from 2020 to 2022, with an increase from 9.1% to 12.9% as *figure 2* shows. The following year they achieved an exceptional 31.4%, which is an anomaly compared to the other years. There was a sharp decrease to 8.0% in 2024, which went below the 2020 level. Year-by-year, this analysis can be interpreted in different ways. The steady increase between 2020 to 2022 can be attributed through better operational efficiency like cost management. The sudden jump to 31.4% in 2023 does not seem to align with operational improvement, instead can be attributed to the strategic moves the company made, like the appointment of a new CEO, and the sale of their Hungarian operation. The sharp decrease to 8.0% in 2024 further indicates that the previous year was an outlier, and the high margins were not achieved by operational reasons.

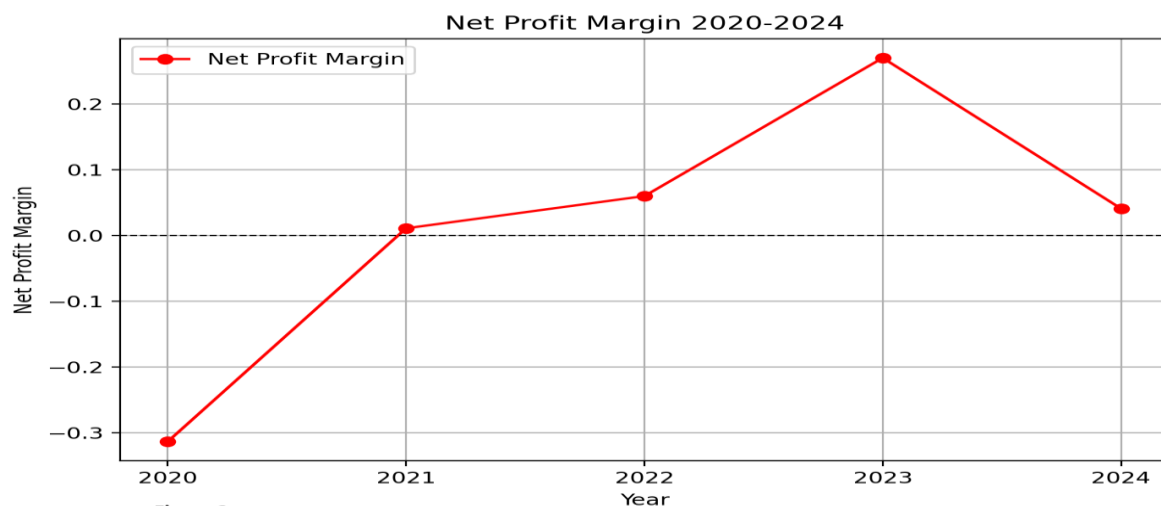


The industry averages for the same period also varied by quite a bit, beginning with 7.4% in 2020, 8.4% in 2021, a sharp increase to 14.6 %in 2022 and then a dramatic decline to 5.5% for the following 2 years (*readyratios, n/a*). While both Vodafone and the industry showed high volatility in this period, the company has outperformed the industry and maintained a substantial lead, suggesting a strong competitive position.

Net profit margin is one of the most important financial indicators for a company, as it measures how much profit a company makes after all the expenses including taxes. It is calculated by subtracting the cost of goods sold, interest, taxes, operating costs, and

any other expenses from the total revenue. When expressed as a ratio, the result of the previous calculation is divided by the total revenue (Murphy 2024).

Between 2020 and 2024, Vodafone saw a constant rise in its net profit margin, from a loss of 3.1% which seems to have been caused by an exceptionally large tax bill, possibly due to deferment of tax from previous years in 2020 (appendix 1) to a small profit of 1.1% in 2021 then to 6% for 2022 showing they turned profitability around. This was followed by a huge increase to 28% 2023 followed by a correction to 4.1% in 2024 (fig. 3). While for the last year there is a big decrease from 2023, it is important to note that the profit remains positive and higher than 2020 and 2021, indicating a trend of improved profitability over the 5-year period.

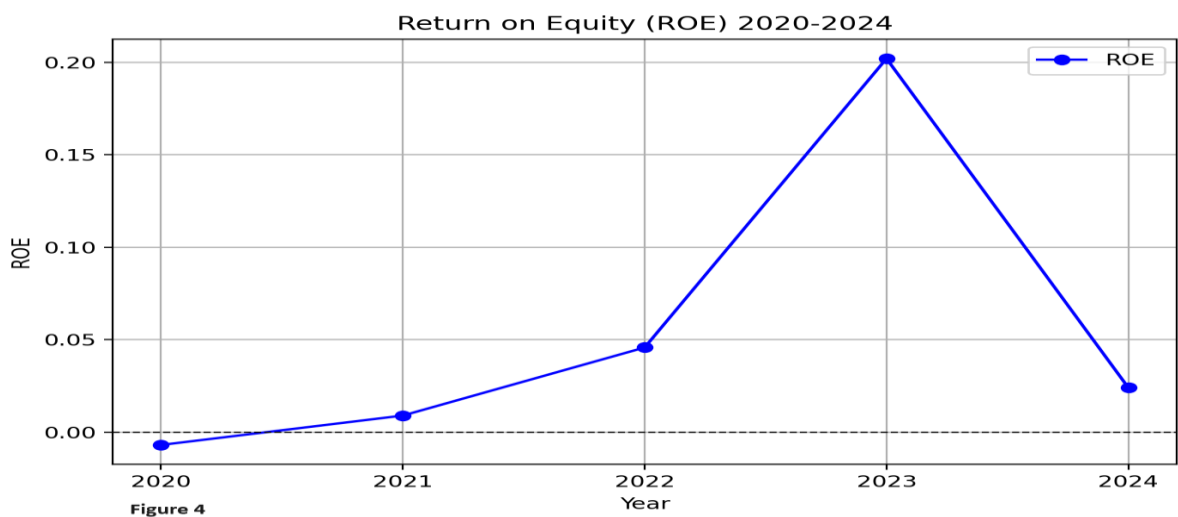


Compared to the industry averages, in 2020, Vodafone underperformed the industry, posting a loss while the industry average remained positive at 2.2%. But in 2021, Vodafone did a quick catch up only slightly below the performance compared to the industry average (1.1% vs 1.2%). Then in 2022 they beat the industry but by a small amount (6.0% vs 7.4%). The greatest difference was shown in 2023 when Vodafone's enormous profit of 27.0% crushed the industry's minuscule gain of 0.8%. This trend continued into 2024 as well; Vodafone had a margin of 4.1% while that for the industry at just 0.8% (readyratios, n/a).

This shows that not only has Vodafone been able to bounce back from tough times, but it has also consistently blown away expectations set by other businesses within its sector over recent years. Such significant and sustained growth in profitability may indicate good management or even strong market positioning on behalf of this company, however extreme fluctuations like those experienced during these years raise the question of what normal profit margins for this company are.

Over five years, Vodafone's **Return on Equity (ROE)** illustrates a journey marked by adaptability and volatility. The company started in 2020 with an ROE of -0.7%, which meant that shareholders experienced a small loss. Next year they turned it around when it reached 0.9% positive ROE indicating its move towards profitability and a better employment of assets financed by stockholders' equity. This positive trend continued in 2022 as well where ROE rose to 4.6% suggesting significant improvement in their ability generate return from each unit invested.

The most notable part related to return on equity has been its dramatic peak in 2023 where they recorded returns worth 20.2%. This was a great period because such high profits were generated relative to the amounts invested by shareholders. The substantial change for this year can be attributed to the strategic changes of this year. The next year it came down drastically to 2.4% which evidences that the year 2023 was a one-off event not attributed to regular operations or management of the business (fig. 4).



The industry averages for the same periods are worse than Vodafone's performance with -1.9% for 2020, -1.2% for 2021, 4.6% for 2022, -6.4% for 2023, -2% for 2024 (*readyratios, n/a*). In comparison, Vodafone shows great resilience over the five years period ending 2024, it appears like the company constantly delivers higher percentages compared any other firm operating under similar conditions. Therefore, it appears like they have always found a better way to make more profit than their counterparts considering similar conditions which may point towards better utilization of shareholders' capital in creating wealth, however this doesn't rule out possibility of adopting extremely high levels risk on part management side especially if we take into account events which happened during 2023 when there was sharp rise followed by equally fast fall just one year later.

Liquidity Ratios

Liquidity ratios measure a company's ability to pay its short-term debt with liquid holdings. This metric determines if a company has enough liquidity to meet its current liabilities. In this category, healthy ratios are considered to be higher than 1. This means a company has enough liquidity to cover its current liabilities (CFI Team, 2020). Using appendix 2, these ratios are calculated, starting with working capital, current ratio, and fast ratio.

The **working capital** represents the money a company has in their accounts for day-to-day operations. It is important to cover expenses and short-term financial obligations. The formula for calculating working capital is current assets minus current liabilities (*british-business-bank, n/a*).

Over five years, Vodafone's working capital tells a worrying story of falling short-term liquidity and then recovering slowly (*fig. 5*). In 2020, the company had a positive working capital of 188 million, although this was very minimal and showed that there was hardly any difference between current liabilities and assets. This meant that Vodafone had little flexibility in its immediate finances but still managed to settle all the bills.

However, things took a nosedive in 2021 when the working capital plunged into negative territory reaching -1,698 million. This is a significant drop which indicates that now the company has more short-term debts than it can cover with its current assets, showing they were not in a good spot with their financial position.

This downward spiral did not stop even during 2022 where it hit an all-time low for the period analysed of -6,069 million. Such huge negative figures raise serious questions about the ability of Vodafone to meet daily operational expenses without seeking external funding. It also points out that this year could have been marked by severe stresses on their working capital needs, hence requiring them to promptly improve liquidity.

Positive results are however seen from 2023 improving to -3992 then -2770 in 2024 though still being negative. This might imply various actions taken by them to address issues related to the lack of sufficient quick funds in these periods while doing business such as renegotiating suppliers' credit terms or even accelerating collections from customers if necessary.

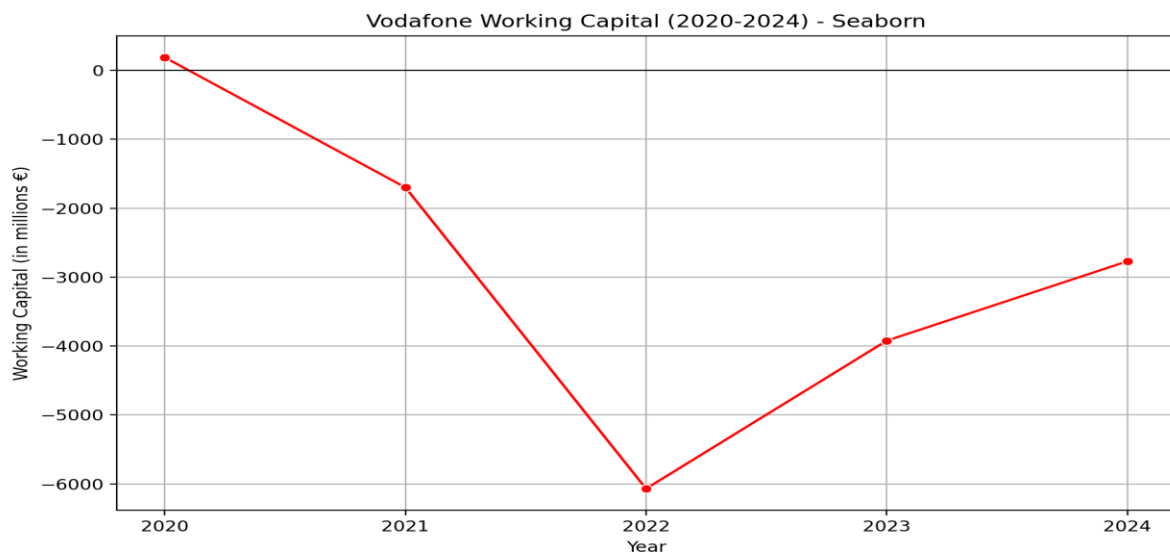


Figure 5

Despite the recent improvements, such a negative balance does not speak well for any company, especially one like Vodafone, which should always strive towards attaining a positive working capital position. When current assets cannot fully cover immediate obligations, it can lead to increased borrowing and hampers the company's ability to respond rapidly to changes brought on by supply chain or other issues. Dealing with this negative trend of working capital should become a top priority going forward. The signs shown during 2023-2024 are encouraging but sustained efforts will need to be applied until positive working capital is achieved again and maintained permanently.

The **current ratio** is an important indicator of whether a company can cover its current liabilities with the cash available. It is accepted that a ratio over 1.0 is preferable, since that means that a company has enough liquid assets to pay for its current liabilities (CFI Team, 2020).

Throughout the five years analysed, Vodafone had a current ratio that indicated continuous liquidity problems as it stayed below the recommended ratio of 1.0 all along. In 2020, this ratio was 0.99. This suggests is that the company had almost equal amounts of current assets and current liabilities, showing an unstable position in its short-term finance. Although still not good enough, such a rate means that they could take care of most short-term debts using short-term assets.

The situation became worse in 2021 when their ratio fell to 0.94 and that implies that their immediate obligations were significantly more than their funds available for settlement. This decline may seem small, but it marks a shift in the wrong direction since current liabilities outweigh current assets by some margin at Vodafone. In 2022, it continued to deteriorate, recording its worst performance with only 0.81. Fortunately, by 2023 there are small improvements with the ratio reaching 0.88 (fig. 6), which might

indicate steps taken towards dealing with liquidity issues. This could be due to more efficient management of working capital or due to the strategic changes made during that year.

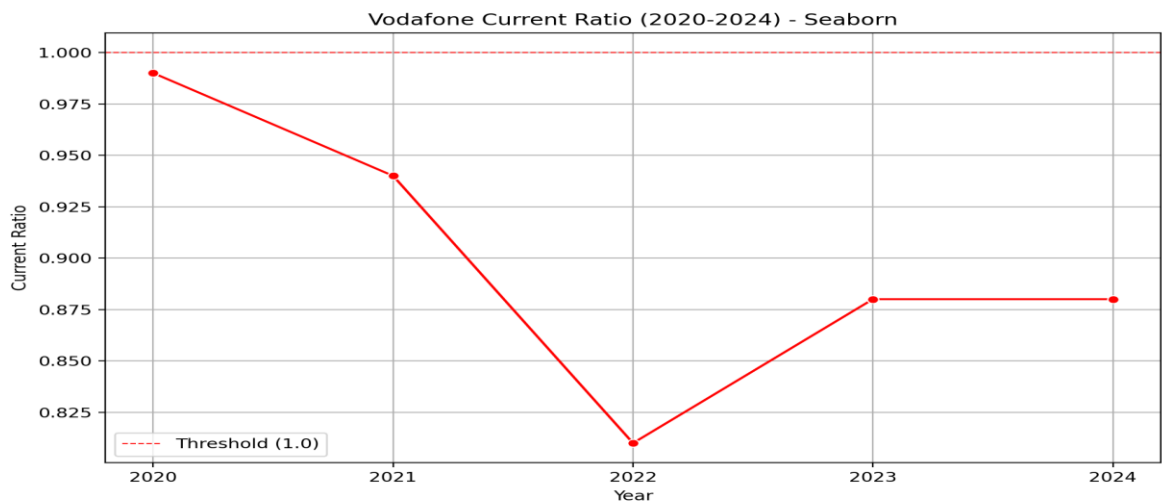


Figure 6

Efficiency Ratios

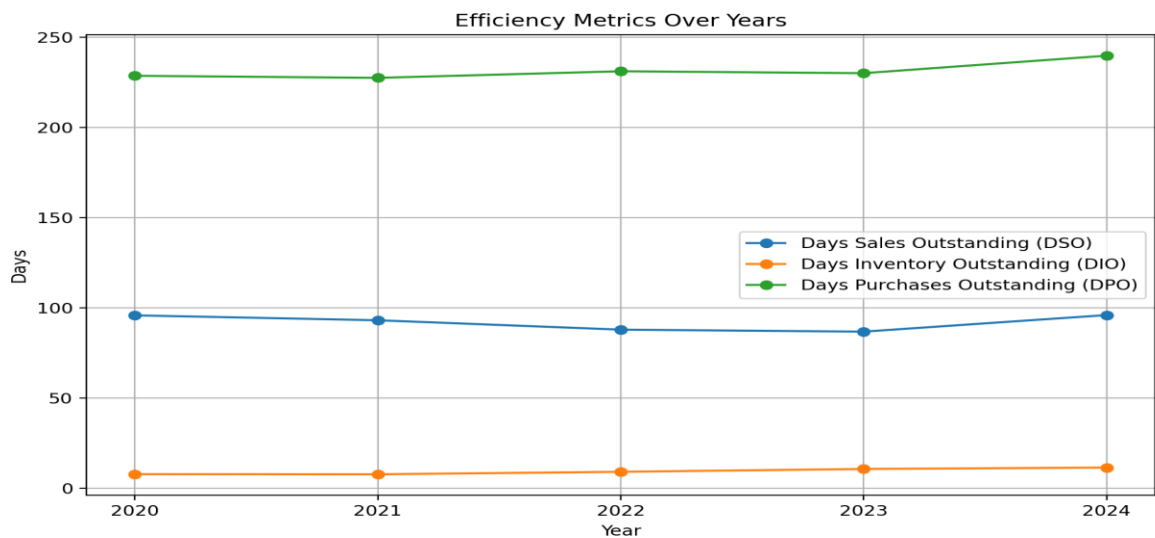


Figure 7

Vodafone’s efficiency ratios during the past five years help analyze their operational efficiencies in managing its receivables, inventory, and payables. The **Days Sales Outstanding (DSO)** metric shows a steady trend with slight improvement. In 2020, it was at 96 days – which means on average how long it took them to collect payments

from customers. This number increased slightly to 93 days in 2021 then declined to 88 days in 2022 indicating a better collection process. In continuation of the positive trend through 2023 where DSO reached its lowest point of this period being only 87 days before increasing again finishing at around where it started at 96 days in 2024. The overall constant direction shows that control over account receivable management has been kept quite steady by Vodafone.

Days Inventory Outstanding (DIO) is another metric used to measure efficiency in inventory management. It starts with just 8 days for 2020 and 2021 before going up slightly to 9 days for 2022 and then reaching 11 days for 2023 and 2024. This slow increase may mean holding onto items over longer periods indicating slower turnovers or a decision made by them so they can keep larger amounts stocked up but there should also be considered that telecommunications companies deal more services than physical products.

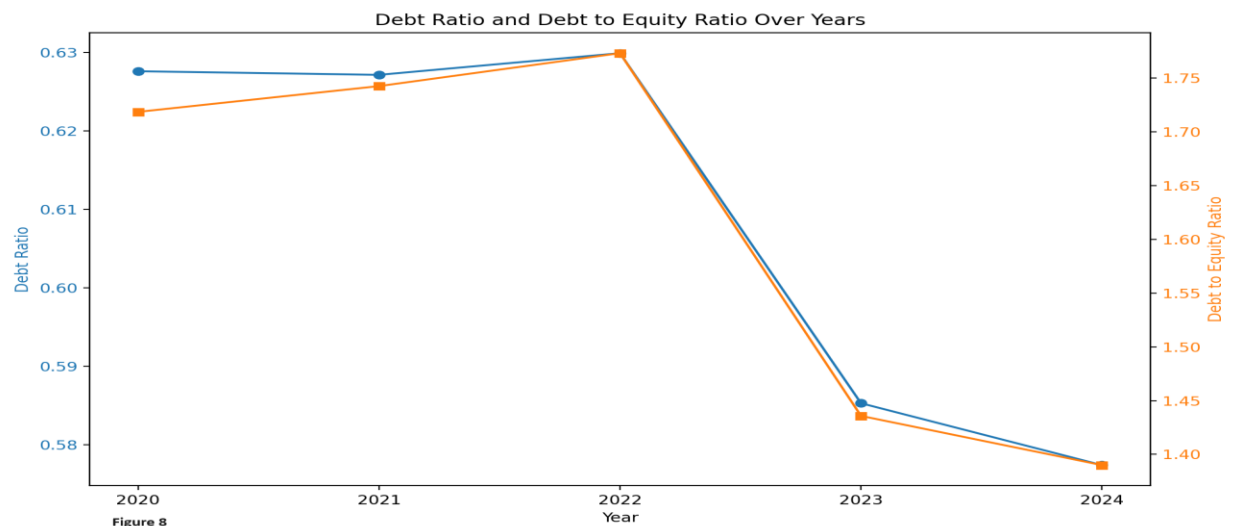
Days Purchases Outstanding (DPO), on the other hand, represents how much time passes between when goods are sold, and the money is collected for them. The figures indicate payment terms extension where DPO rose from 229 days in 2020 up to 231 in 2022 and then stayed same for the next year before increasing again to 240 days in 2024 which can indicate negotiation of longer payment periods with suppliers or possibly delaying cash outflows to better manage their working capital.

These efficiency ratios speak about what might be going on within Vodafone's management of its current assets. While they seem stable when considered individually, average collection periods from customers have been retained, while inventories held have also gone up slightly, some supplier payments have been delayed significantly over recent years. To address the working capital issues, they might need to hold onto them for longer through extending supplier payables without creating problems in inventory turnover rates.

However, maintaining such long durations of payments may lead to dissatisfaction among suppliers especially if they continue to increase in future years, which could strain relations leading towards negative consequences somewhere down line and undermine goodwill amongst different stakeholders both internal (employees) and external (suppliers).

It is possible that Vodafone actively manages its working capital components based on efficiency ratios. The company seems to concentrate on optimizing cash flows through management of supplier payments since the DSOs and DIOs indicated relative stability which is typical within such industries.

Gearing Ratios



During the past five years, Vodafone has moved towards becoming less indebted, however, there have been fluctuations along the way. From 2020 to 2022 the **debt ratio** stayed constant at 0.63 before dropping down to 0.59 in 2023 and then again to 0.58 in 2024, this indicates that they are working on relying less on debts for their financials. They have always had lower debt ratios than industry averages which was experiencing an increase from 0.67 to 0.72 over those same years.

This information is further illustrated by analyzing the **debt-to-equity** ratio, which correlates to the previous ratio. In 2020 this figure was at a high point of 1.72 and grew a bit higher to 1.77 by year 2022 indicating an increase in temporary borrowing, before falling back down significantly over next couple years down 1.44 in 2023 and 1.39 in 2024 in correlation with the debt ratio. So, it looks like there has been some change where they seem to decrease their financing risk going forward. However, what is interesting though is that all throughout these periods Vodafone always had higher numbers than the industry average, which ranged from 1.23 to 1.43 for the same years (*readyratios, n/a*), showing that Vodafone is relying more on debt than the wider industry.

The difference between having a lower debt ratio but higher debt-to-equity ratio than average companies could mean few things for Vodafone when we consider its specific financial position. One of them being that the company has established on average lower proportion of debt in overall asset financing than others within its industry, so this shows they are already managing their large amounts of investments well and have made effective use for money in terms of savings.

Comparison with Main Competitor

Using the information obtained from the latest O2's Annual Report (*Annual Report and Consolidated Financial Statements, n./a*), a comparison can be made with Vodafone's performance (*appendix 3*) to gain a better understanding of how the company has been performing compared to its competitor. In terms of profitability, Vodafone comfortably outperforms O2, who lagged behind Vodafone with a gross profit margin of 15.7% in 2023 compared to 33.4%. Thereby indicating that Vodafone has been better at keeping its cost of sales in check. The difference is even more stark on net profit margin with Vodafone reported 4.1% in 2024 but Virgin Media O2 -33.3%, signifying significant losses being made.

ROE (Return on Equity) also points to Vodafone's better performance. In 2023, the ROE of Vodafone was at 2%, Virgin Media O2 also reported a negative ROE at -26.9%. It would be expected that Vodafone will return more money to shareholders given they have better capital efficiency than their competitor.

Both are still facing a tough challenge as reported by their liquidity ratios, but Vodafone is at an intermediate level. Vodafone sat at 0.88 in 2023, a little below the ideal benchmark of around 1, but much better than O2's figure of just 0.55. This indicates that the liquidity level is high at Vodafone, and it can fulfill its short-term obligations in a better way.

Vodafone performs worse on the efficiency side against O2 with a DSO ratio of 96 to O2's 79, suggesting the latter is better at getting money in. Vodafone does a marginally better job of managing its inventory with an 11-day DIO compared to O2's 10 days.

Vodafone is also better positioned for solvency with a 0.58 debt ratio, which is lower than O2, at 0.66. Vodafone also does better than Virgin Media O2 in terms of debt-to-equity ratio, where it is 1.39 versus O2's 1.97

Overall Vodafone has a stronger financial performance than O2 in key aspects, most notably profitability and solvency. But there are places where Vodafone lags, in such things as its receivables book and the general state of its liquidity.

Investment Appraisal

Vodafone is evaluating 2 projects, Project A and Project B, both of which require significant capital investment and must choose which one to proceed with. Project A requires an initial investment of £80 million and project B £75 million. Both have a discount rate of 9.75% The projected cash flows over a 4-year period are as follows:

	Project A	Project B
Year 0	-80	-75
Year 1	25	20
Year 2	25	20
year 3	20	20
year 4	55	20

Calculation of pay back period (PBP)

Project A:

$$\text{Year 1: } -80 + 25 = -55$$

$$\text{Year 2: } -55 + 25 = -30$$

$$\text{Year 3: } -30 + 20 = -10$$

$$\text{Year 4: } -10 + 55 = 45 \text{ (Payback achieved)}$$

$$\text{Payback Period} = 3 + (10 / 55) = 3.18 \text{ years}$$

Project B:

$$\text{Year 1: } -75 + 50 = -25$$

$$\text{Year 2: } -25 + 20 = -5$$

$$\text{Year 3: } -5 + 20 = 15 \text{ (Payback achieved)}$$

$$\text{Year 4: } 15 + 20 = 35$$

$$\text{Payback Period} = 2 + (5 / 20) = 2.25 \text{ years}$$

Project B has the shorter payback period at 2.25 years compared to Project A at 3.18 years.

Calculation of Accounting Rate of Return (ARR)

Project A: Total cash flow = 25 + 25 + 20 + 55 = £125 million

Initial Investment = £80 million

Accounting Rate of Return = $[(125-80) / 4] / (80 / 2) = 0.281 \times 100 = 28.1\%$

Project B: Total cash flow = 50 + 20 + 20 + 20 = £110 million

Initial Investment = £75 million

Accounting Rate of Return = $[(110 - 75) / 4] / (75/2) = 0.233 \times 100 = 23.3 \%$

Project A has a higher ARR at 28.1% compared to project B at 23.3%

Calculation of Net Present Value (NPV)

Discount rate 9.75%

Project A:

Discounted Cash flow:

Year 1: $25 / (1 + 0.0975)^1 = 25 / 1.0975 = £22.78$ million

Year 2: $25 / (1 + 0.0975)^2 = 25 / 1.2045 = £20.76$ million

Year 3: $20 / (1 + 0.0975)^3 = 20 / 1.3219 = £15.13$ million

Year 4: $55 / (1 + 0.0975)^4 = 55 / 1.4508 = £37.91$ million

Net Present Value:

Initial investment = £80 million

Year 1: $-80 + 22.78 = -57.22$

Year 2: $-57.22 + 20.76 = -36.46$

Year 3: $-36.46 + 15.13 = -21.33$

Year 4: $-21.33 + 37.91 = 16.58$

Project A NPV is £16.58 million

Project B:

Discounted cash flow:

Year 1: $50 / (1 + 0.0975)^1 = 50 / 1.0975 = £45.56$ million

Year 2: $20 / (1 + 0.0975)^2 = 20 / 1.2045 = £16.60$ million

Year 3: $20 / (1 + 0.0975)^3 = 20 / 1.3219 = £15.13$ million

Year 4: $20 / (1 + 0.0975)^4 = 20 / 1.4508 = £13.79$ million

Net Present Value

Initial investment = £75 million

Year 1 = $-75 + 45.56 = -29.44$

Year 2 = $-29.44 + 16.60 = -12.84$

Year 3 = $-12.84 + 15.13 = 2.29$

Year 4 = $2.29 + 13.79 = 16.08$

Project B NPV is £16.08 million

Comparison and Recommendation

Payback Period: Project B gives a faster return on investment by recovering the initial amount almost a year earlier than Project A. This would be good for Vodafone if it needs short-term liquidity or has cash flow problems.

Project A shows a higher ARR (28.1% vs 23.3%) which means that it promises higher return on investment than project B, a significant difference which is an important consideration in favor of this alternative.

Project A generates a slightly higher net present value (NPV) for Vodafone shareholders than project B (£0.50 million), nevertheless, NPVs remain positive and both projects are acceptable since they create wealth for investors.

Project B has a considerably faster payback period which makes an important consideration, project A's better NPV, combined with much greater ARR regarding cash flow generation and long run value creation makes project a more appealing choice that maximizes shareholder returns.

The significant difference in profitability earned by these two projects combined with higher NPV as well as better cash generation, position project A as being more attractive financially between the 2 and make it a more attractive investment from a financial perspective.

Critical evaluation of PBP, ARR, and NPV

The Payback Period (PBP), Accounting Rate of Return (ARR), and Net Present Value (NPV) are widely used techniques for evaluating projects. Each method has its own advantages and disadvantages.

The pros of PBP are that calculation is simple and easy to understand, and it indicates how long the investment will take to recover. It identifies how fast the cash flow can become positive, which is useful in managing liquidity and addressing risk by favoring early returns. The negatives are that it disregards all cash flows that occur after the payback period, it does not recognize timing of cash flows within payback period and fails to account for time value of money.

"The payback rule has the virtue of simplicity, but it also has serious shortcomings" (Brealey, Myers and Allen, 2020).

Accounting Rate of Return (ARR)

Some advantages of ARR can be the easy calculation and understanding, it relates to profits shown in annual accounts and that it considers profits over life span of entire project.

Drury (2013) considers that ARR is criticized for using accounting profit rather than cash flows and for ignoring the time value money. Additionally, some negatives are that it uses average figures and does not consider timing when profit is earned, and it does not cater for different lifespan between projects.

The NPV approach is widely considered theoretically superior to other capital budgeting techniques because it directly measures increase in value to the company. Unlike the other 2 calculations, NPV considers the concept of time value for money and all cash flows throughout a project's life cycle. This helps to make quick comparisons among

different projects and directly measures additional profitability. Some disadvantages can be that it relies on accurate estimations of costs, and it does not inherently cater for differences in sizes between projects.

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Appendix

Appendix 1

Consolidated income statement

for the years ended 31 March

	Note	2024 €m	2023 €m	Re-presented' 2022 €m	Re-presented' 2021 €m	2020 €m
Revenue	2	36,717	45,706	45,580	43,809	44,974
Cost of sales		(24,459)	(30,850)	(30,574)	(30,086)	(30,682)
Gross profit		12,258	14,856	15,006	13,723	14,292
Selling and distribution expenses		(2,674)	(3,329)	(3,358)	(3,522)	(3,814)
Administrative expenses		(5,768)	(6,092)	(5,713)	(5,350)	(5,810)
Net credit losses on financial assets	22	(491)	(606)	(561)	(664)	(660)
Share of results of equity accounted associates and joint ventures	12	(96)	433	389	374	(2,505)
Impairment loss	4	64	(64)	–	–	(1,685)
Other income	3	372	9,098	50	568	4,281
Operating profit	3	3,665	14,296	5,813	5,129	4,099
Investment income	5	581	248	254	245	248
Financing costs	5	(2,626)	(1,728)	(1,964)	(1,027)	(3,549)
Profit before taxation		1,620	12,816	4,103	4,347	795
Income tax expense	6	(50)	(481)	(1,330)	(3,864)	(1,250)
Profit for the financial year		1,505	12,335	2,773	483	(455)
Attributable to:						
– Owners of the parent		1,140	11,838	2,237	59	(920)
– Non-controlling interests		365	497	536	424	465
Profit for the financial year		1,505	12,335	2,773	483	(455)

Appendix 2

Consolidated statement of financial position

at 31 March

	Note	31 March 2024 €m	31 March 2023 €m	Re-presented/ 31 March 2023 €m	31 March 2021 €m	31 March 2020 re-presented €m
Non-current assets						
Goodwill	10	24,959	27,615	31,884	31,731	31,378
Other intangible assets	10	15,896	19,592	21,560	21,818	22,631
Property, plant and equipment	11	28,499	37,992	40,804	41,243	40,113
Investments in associates and joint ventures	12	10,032	11,079	5,523	4,670	5,831
Other investments	18	1,000	1,093	1,073	925	792
Deferred tax assets	6	20,177	19,316	19,089	21,569	23,606
Post employment benefits	25	257	329	555	60	590
Trade and other receivables	14	5,967	7,843	6,583	4,777	10,393
		104,790	124,859	126,471	126,793	135,334
Current assets						
Inventory		568	956	836	676	598
Taxation recoverable		76	279	296	434	278
Trade and other receivables		8,594	10,705	11,019	10,923	11,724
Other investments	18	5,092	7,017	7,931	9,159	7,089
Cash and cash equivalents	16	6,185	11,705	7,496	5,821	13,557
		20,513	30,662	27,578	27,013	33,246
		19,047			1,757	1417
Total assets		144,350	155,521	154,049	155,063	168,168
Equity						
Called up share capital	17	4,797	4,797	4,797	4,797	4,797
Additional paid-in capital		149,253	149,145	149,018	150,812	152,629
Treasury shares		(7,645)	(7,719)	(7,278)	(6,172)	(7,802)
Accumulated losses		(114,641)	(113,086)	(122,022)	(121,587)	(120,349)
Accumulated other comprehensive income		28,202	30,262	30,268	27,954	34,150
Total attributable to owners of the parent		59,966	63,399	54,783	55,804	61,410
Non-controlling interests		1,032	1,084	2,290	2,012	1,215
Total equity		60,998	64,483	57,073	57,816	62,625
Non-current liabilities						
Borrowings	21	48,328	51,669	58,131	59,272	62,949
Deferred tax liabilities	6	699	771	520	2,095	2,103
Post employment benefits	25	181	258	281	513	438
Provisions	18	1,615	1,572	1,881	1,747	1,479
Trade and other payables	18	2,328	2,184	2,516	4,909	5,189
		53,151	56,454	63,329	68,536	72,158
Current liabilities						
Borrowings	21	8,659	—	—	—	—
Financial liabilities under put option arrangements	22	395	14,721	11,961	8,488	11,976
Taxation liabilities		833	485	494	492	1,850
Provisions	18	13,398	457	864	769	787
Trade and other payables	18	23,283	674	667	892	1,053
		6,918	18,247	19,661	18,070	17,719
		144,350	34,584	33,647	28,711	33,385
Total equity and liabilities		144,350	155,521	154,049	155,063	168,168

Appendix 3

Ratios	Formulas	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Virgin Media O2 2023
Profitability							
Operating profit margin	Operating profit / Revenue	0.091	0.116	0.129	0.314	0.080	(-0.224)
Gross profit margin	Gross profit / Revenue	0.318	0.313	0.329	0.325	0.334	0.157
Net profit margin	Net profit / Revenue	(-0.313)	0.011	0.060	0.270	0.041	(-0.333)
Return on equity (ROE)	Net income / Average shareholders' equity	(-0.007)	0.009	0.046	0.202	0.024	(-0.269)
Return on capital employed (ROCE)	EBIT / (Total assets - Current liabilities)	0.030	0.040	0.047	0.118	0.032	(-0.074)
Liquidity							
Current ratio	Current assets / Current liabilities	0.99	0.94	0.81	0.88	0.88	0.55
Quick ratio	(Current assets - Inventories) / Current liabilities	0.97	0.91	0.79	0.85	0.86	0.52
Working Capital	Current assets - Current liabilities	188	(-1698)	(-6069)	(-3922)	(-2770)	(-3,329.6)
Efficiency							
Days sales outstanding (DSO)	Average accounts receivable / (Revenue / 365)	96	93	88	87	96	79
Days inventory outstanding (DIO)	Average inventory / (Cost of goods sold / 365)	8	8	9	11	11	10
Days purchases outstanding (DPO)	Average accounts payable / (Cost of goods sold / 365)	229	227	231	230	240	143
Solvency							
Debt ratio	Total liabilities / Total assets	0.63	0.63	0.63	0.59	0.58	0.66
Debt to equity ratio	Total liabilities / Shareholders' equity	1.72	1.74	1.77	1.44	1.39	1.97
Interest coverage ratio	EBIT / Interest expenses	1.15	4.96	2.88	8.27	1.40	(-0.87)