Notes to the consolidated financial statements

1. Basis of preparation

The consolidated financial statements are prepared in accordance with IFRS as issued by the IASB. The consolidated financial statements are also prepared in accordance with IFRS adopted by the European Union ('EU'), the Companies Act 2006 and Article 4 of the EU IAS Regulations.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. For a discussion on the Group's critical accounting estimates see "Critical accounting estimates" on pages 77 and 78. Actual results 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 or in the period of the revision and future periods if the revision affects both current and future periods.

Amounts in the consolidated financial statements are stated in pounds sterling.

Vodafone Group Plc is registered in England (No. 1833679).

2. Significant accounting policies

Accounting convention

The consolidated financial statements are prepared on a historical cost basis except for certain financial and equity instruments that have been measured at fair value.

New accounting pronouncements adopted

IFRS 3 (Revised) "Business Combinations"

The Group adopted IFRS 3 (Revised) on 1 April 2010. The revised standard introduces changes in the accounting for business combinations that impacts the amount of goodwill recognised, the reported results in the period that a business combination occurs and future reported results. The adoption of this standard is likely to have a significant impact on the Group's accounting for future business combinations.

Amendment to IAS 27 "Consolidated and Separate Financial Statements"

The Group adopted the amendment to IAS 27 on 1 April 2010. The amendment requires that when a transaction occurs with non-controlling interests in Group entities that do not result in a change in control, the difference between the consideration paid or received and the recorded non-controlling interest should be recognised in equity. In cases where control is lost, any retained interest should be remeasured to fair value with the difference between fair value and the previous carrying value being recognised immediately in the income statement. The adoption of this standard may have a significant impact on the Group's accounting for future transactions involving non-controlling interests.

The adoption of this standard has resulted in a change in presentation within the statement of cash flows of amounts paid to acquire non-controlling interests in Group entities that do not result in a change in control. In the year ended 31 March 2011 £137 million related to such transactions was classified as "Other transactions with non-controlling shareholders in subsidiaries" within "Net cash flows from financing activities", whereas these amounts would have previously been recorded in "Purchase of interests in subsidiaries and joint ventures, net of cash acquired" within "Cash flows from investing activities". There is no material impact in the comparative period.

New accounting pronouncements not yet adopted

Phase I of IFRS 9 "Financial Instruments" was issued in November 2009 and is effective for annual periods beginning on or after 1 January 2013. This standard has not yet been endorsed for use in the EU. The standard introduces changes to the classification and measurement of financial assets and the requirements relating to financial liabilities in relation to the presentation of changes in fair value due to credit risks and the removal of an exemption from measuring certain derivative liabilities at fair value. The Group is currently assessing the impact of the standard on its results, financial position and cash flows.

The Group has not adopted the following pronouncements, which have been issued by the IASB or the IFRIC. These pronouncements have been endorsed for use in the EU, unless otherwise stated. The Group does not currently believe the adoption of these pronouncements will have a material impact on the consolidated results, financial position or cash flows of the Group.

- Amendments to IFRS 1, "Severe hyperinflation and removal of fixed dates for first-timer adopters", effective for annual periods beginning on or after 1 July 2011. This standard has not yet been endorsed for use in the EU.
- Amendments to IFRS 7, "Financial Instruments: Disclosure", effective for annual periods beginning on or after 1 July 2011. This standard has not yet been endorsed for use in the EU.
- "Improvements to IFRSs", effective over a range of dates, with the earliest being for annual periods beginning on or after 1 January 2011.
- Amendment to IFRS 1, "Limited Exemption from Comparative IFRS 7 disclosures for first time adopters", effective for annual periods beginning on or after 1 July 2010.
- Amendment to IAS 12, "Deferred tax: Recovery of Underlying Assets", effective for annual periods beginning on or after 1 January 2012. This standard has not yet been endorsed for use in the EU.
- Amendment to IAS 24, "Related Party Disclosures – State-controlled Entities and the Definition of a Related Party", effective for annual periods beginning on or after 1 January 2011.
- Amendment to IFRIC 14, "Prepayments on a Minimum Funding Requirement", effective for annual periods beginning on or after 1 January 2011.
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", effective annual periods beginning on or after 1 July 2010 with early adoption permitted.

The Group has also not adopted the following pronouncements, all of which were issued by the IASB on 12 May 2011 and which are effective for annual periods beginning on or after 1 January 2013. These pronouncements have not yet been endorsed for use in the EU. The Group has not completed its assessment of the impact of these pronouncements on the consolidated results, financial position or cash flows of the Group. However, the Group currently expects that IFRS 11, "Joint Arrangements", will have a material impact on the presentation of the Group's interests in its joint ventures owing to the Group's significant investments in joint ventures as discussed in note 13.

- IFRS 10, 'Consolidated Financial Statements', which replaces parts of IAS 27, 'Consolidated and Separate Financial Statements and all of SIC-12, 'Consolidation – Special Purpose Entities', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The remainder of IAS 27, 'Separate Financial Statements', now contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates only when an entity prepares separate financial statements and is therefore not applicable in the Group's consolidated financial statements.
- IFRS 11, 'Joint Arrangements', which replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly Controlled Entities – Non-monetary Contributions by Venturers', requires a single method, known as the equity method, to account for interests in jointly controlled entities which is consistent with the accounting treatment currently applied to investments in associates. The proportionate consolidation method currently applied to the Group's interests in joint ventures is prohibited. IAS 28, 'Investments in Associates and Joint Ventures', was amended as a consequence of the issuance of IFRS 11. In addition to prescribing the accounting for investment in associates, it now sets out the requirements for the application of the equity method when accounting for joint ventures. The application of the equity method has not changed as a result of this amendment.
- IFRS 12, 'Disclosure of Interest in Other Entities', is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The