



Peter Godsall
Accounting Standards Board
C/o: ukqaap@frc-asb.org.uk

26 January 2010

Re policy proposal: "The Future of UK GAAP"

Dear Sir

I am writing to respond on behalf of Vodafone Group Plc ("Vodafone") to the discussion paper "The Future of UK GAAP".

In common with many listed groups, Vodafone has a large number of UK subsidiaries. The impact of changing the GAAP under which UK financial statements are prepared is therefore likely to be significant, both in respect of internal preparation costs and external advisors' fees. We believe that any proposal to replace UK GAAP with International Financial Reporting Standards ('full IFRS') should be dependent on demonstrating that such a change would be beneficial, taking into account both users and preparers of financial statements.

Under the policy proposal, we understand that the Group's UK subsidiaries would be required to adopt either IFRS for Small and Medium-sized Entities ('IFRS for SME's') or full IFRS. We do not currently believe that there is any worthwhile benefit to Vodafone to be obtained from a change to IFRS or to IFRS for SME's for the following reasons:

- The vast majority of our entities are either dormant or are entities holding direct or indirect investments in other Group companies. These entities rarely have external creditors and, typically, the only external users of these financial statements are the UK tax authorities.
- UK GAAP offers a comparatively stable accounting platform that is generally well understood by preparers and users of the accounts.
- We are not aware that users of the financial statements of Vodafone's UK trading entities have any desire for such financial statements to be prepared on an IFRS basis.
- We are already able to materially comply with IFRS for Group Reporting purposes in the Group's UK subsidiaries without significant adjustments to the UK GAAP records; consequently the benefits potentially obtained from accounting consistency are minimal. This benefit would be largely lost if IFRS for SME's were adopted since IFRS for SME's and full IFRS are not the same.

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Opting to apply full IFRS for UK subsidiaries of UK listed companies would improve the consistency of accounting between the consolidated and subsidiary accounts, albeit with minimal benefit, however we believe that this is outweighed by the disadvantages:

- Significantly increased disclosure in the financial statements that we believe is of little or no interest to third parties. For example, cash flow statements have never been produced under UK GAAP for our subsidiaries, have not been requested by users of the financial statements.
- Increased compliance costs, primarily as a result of increased time required to prepare increased disclosures and the cost of audit, at a time when compliance costs are generally already increasing (for example due to the impending implementation of iXBRL for tax filings).
- Loss of the comparatively stable and well understood UK GAAP basis of accounting and disclosures.

In summary, we do not believe that the proposal to replace UK GAAP for UK subsidiaries of listed companies is beneficial to users, or to us as preparers, of our financial statements and we believe that the costs of compliance will exceed any perceived benefits, particularly when extrapolated across a large number of subsidiaries. Should the ASB choose to proceed with replacing UK GAAP with IFRS, we request that the following points are considered:

- UK subsidiaries of groups issuing consolidated financial statements should be allowed to adopt full IFRS but with reduced disclosure. This will enable some slight benefit to be derived from consistency of accounting between Group consolidated accounts reporting and UK subsidiary financial statement reporting without incurring the entire incremental cost of a move to full IFRS.
- All UK dormant companies applying UK GAAP should be allowed to continue to do so. We do not believe that there is any benefit to be gained from changing the basis of preparation for inactive entities.

Please do not hesitate to contact me if you have any questions.

Yours faithfully,



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