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Private and Confidential
FAO Peter Godsall
Accounting Standards Board
5th Floor, Aldwych House
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29 January 2010

Your ref:
Our ref: KM/M352/A/LEF

Dear Sirs

Policy Proposal: The Future of UK GAAP

We are pleased to respond to the ASB's invitation to comment on policy proposals in relation to the Future of UK GAAP.

Our client base spans a broad spectrum of Tier 1, 2 and 3 entities including listed companies, investment trusts, large and small incorporated and unincorporated charities, RSL's, pensions schemes, partnerships and sole traders. All of the proposals outlined in the ASB's consultation paper will therefore affect our clients to some extent.

We therefore, submit our response as follows.

Q1 Which definition of Public Accountability do you prefer: the Board's proposal (paragraph 2.3) or the current legal definition (paragraph 2.5)? Please state the reasons for your preference. If you do not agree with either definition, please explain why not and what your proposed alternative would be.

On balance we support the Board's definition of publicly accountable but note the following:

The Board's definition of public accountability in paragraph 2.3 has no size criteria so every entity that is deemed to be "publicly accountable" regardless of size will be required to use EU adopted IFRS. While we see this as a drawback we acknowledge that to start excluding certain companies due to their size would compromise the aims of consistency of treatment and comparability of financial information between such entities. In addition the size levels at which such limits would be set would necessarily be arbitrary.

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We recommend that the ASB provides specific details of precisely which entities will be considered Tier 1. The definition stated in paragraph 2.3 refers to “a deposit taking entity” and “holds assets in a fiduciary capacity for a broad group of outsiders”. To avoid confusion and ambiguity the ASB should specify a list of entities included in this definition. The clearer and more specific the guidance/ definitions the ASB can provide the better.

Q2. Do you agree that all entities that are publicly accountable should be included in tier 1? If not, why not?

We agree that all entities that are defined as publicly accountable should be in Tier 1.

Q3. Do you agree with the Board’s proposal that wholly owned subsidiaries that are publicly accountable should apply EU adopted IFRS? If not, why not?

We agree that wholly-owned subsidiaries that are publicly accountable should apply EU adopted IFRS on that basis that: the IFRS for SME’s is not designed for entities with public accountability; and the accounting treatment of all publicly accountable entities should be consistent and therefore comparable. It is the nature rather than the size of the entity that is the differentiating factor.

Q4. Do you consider that wholly owned subsidiaries that are publicly accountable should be allowed reduced disclosures? If so, it would be helpful if you could highlight such disclosure reductions as well as explaining the rationale for these reductions.

We do not consider that wholly owned subsidiaries which are publicly accountable should be allowed reduced disclosure for the reasons of consistency and comparability noted above in Question 3 above.

Q5. Do you agree with the Board’s proposal that the IFRS for SME’s should be used by ‘Tier 2’ entities?

We agree that the IFRS for SME’s should be used by Tier 2 entities. In relation to the transition to the new standard we suggest that the transitional guidance currently included in the IFRS for SME’s is fairly brief and it would be useful to have an equivalent to IFRS 1 provided by the IASB.

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We also consider that there should be clarity on when an entity applying the FRSSE, who subsequently falls out-with the small company's regime, must start to apply the IFRS for SME's. Would such an entity need to be medium sized or large for two years running before they have to begin reporting using the IFRS for SME's? We suggest that this should be the case to avoid the situation where an entity breaches the small regime thresholds for one year only but is forced to report under IFRS for SME's for that year.

- Q6. Do you agree with the Board's proposal that the IFRS for SMEs should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments that should be made, as well as the reasons for recommending these amendments.**

We agree that the IFRS for SME's should be adopted wholesale. Were the Board to go down the route of adjusting the body of the standard we would move away from the international consistency that adoption of the standard seeks to achieve. We also consider that where the IASB issues revisions to the standard these should also be adopted in full as a matter of course.

Where it is considered that amendments do need to be made to the standard we suggest that the ASB supplements the IFRS for SME's by adding onto, rather than amending, the body of the standard.

- Q7. Do you agree with the Board's proposal that large Non-Publicly Accountable Entities should be permitted to adopt the IFRS for SME's? Or do you agree that large entities should be required to use EU adopted IFRS? Please give reasons for your review.**

We consider that such entities should be permitted to adopt the IFRS for SME's. Not all large companies have public accountability and requiring such entities to use full IFRS is an unnecessary and costly additional burden which outweighs the benefit of comparability.

- Q8. Do you agree with the Board that the FRSSE should remain in force for the foreseeable future?**

Yes.

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Q9. Do you agree that the FRSSE could be replaced by the IFRS for SME's after an appropriate transition period, following the issuance of the IFRS for SME's?

We do not consider that the FRSSE should be replaced by the IFRS for SME's. Although the IFRS for SME's is a much simplified version of EU adopted IFRS it is still considerably more complex than the FRSSE. The FRSSE has served its purpose well and provides appropriate accounting treatments and levels of disclosure for the needs of the users of the accounts prepared under it. There is no real reason to remove it and the change suggested of replacing it with the IFRS for SME's would, as already noted by the Board, be relatively costly to the smallest of entities without providing them according benefit.

We are also mindful of the fact that the financial reporting by micro-entities is under discussion and perhaps this may be a suitable replacement for the FRSSE in due course.

Q10. Do you agree with the Board's current views on the future role of SORPs? If not, why not?

In Paragraph 2.30 the Board states that ". . . SORPS's should only remain where there is a clear and demonstrable need arising from sector specific issues not covered by guidance in accounting standards". It is our view that the position will remain the same under the new reporting regime in that sector specific issues will not be covered by general accounting rules and, wherever accounting requirements are driven by regulatory bodies, sector specific guidance will continue to be required to avoid ambiguity. The relevant SORP's should continue to fulfil that purpose, not least to retain clarity in sector specific reporting and legal compliance.

With regard to the AIC SORP in particular, we strongly recommend that the SORP is not withdrawn. Investment companies are heavily regulated and have more detailed requirements for their accounting and disclosure, relative to many other entities and, for example, need to demonstrate compliance with relevant UK tax legislation. This will not be addressed under EU adopted IFRS or IFRS for SME's. Guidance would have to be issued, or UK specific amendments made to the UK adopted international standards, to replace the SORP if it was withdrawn, therefore it does not make sense to simply replace one source of guidance with another.

With regard to the Charities, Pensions and RSL SORP's, we consider that each of these is fit for purpose and widely referred to. We would strongly recommend that they continue to play the same role under, and in relation to, the new rules.

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Although the Board notes that industry groups should continue to develop sector specific guidance and best practice, it is suggested in the consultation paper that this would be without the endorsement of the ASB and we consider this a retrograde step. The negative assurance statement that the ASB currently provides for each SORP confirming that nothing in the SORP conflicts with UK GAAP is valuable in that there is no ambiguity or need to compare with UK GAAP. Going forward it would be good to have the same assurance that there is no conflict with the new rules.

We therefore recommend the continuation of SORP's, amended as required for the differences in accounting and disclosure under IFRS and IFRS for SME's, and the ASB's endorsement of them.

- Q11. Do you agree with the Board's proposal to develop a public benefit entity standard as part of its plans for the future of UK GAAP? If not, how should (converged) UK GAAP address public benefit entity issues?**

We support the proposal to develop a public benefit entity standard covering common accounting and disclosure issues across the public benefit sector. In addition we also consider that there will continue to be a requirement for sector specific guidance which should be in the form of the existing SORP's, amended as required for the public benefit entity standard.

- Q12. If you do agree with the proposal to develop a public benefit entity standard, should the standard cover all the requirements for preparing true and fair view accounts or should it cover only those issues where IFRS or the IFRS for SME's needs to be supplemented for the public benefit entity sector?**

We consider that the standard should cover all requirements for preparing true and fair accounts because it would provide clarity between accounting treatments across all types of entities to whom the standard would apply. It would also be cleaner than potentially having to look at EU adopted IFRS/IFRS for SME's, the public benefit entity standard and some form of sector specific guidance when preparing the accounts of a public benefit entity.

- Q13. Do you agree the issues listed in the above table are distinctive for the public benefit entity sector and should therefore be covered in a public benefit entity standard? What other issues might the proposed standard include?**

Yes, we agree the issue listed are distinctive for the public benefit entity sector.

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Q14. The board accepts that there may be a continuing need for guidance to supplement a public benefit entity standard in sectors such as charities, housing and education. Where this is the case, do you think that the Board should provide a Statement confirming the guidance is consistent with UK GAAP, including the public benefit entity standard?

We consider that the Board should continue to provide a statement, as noted above. This would provide the preparers of financial statements with confidence that the Board is actively involved in monitoring the content of sector specific guidance and add credibility to the guidance in that it has been agreed by the ASB.

Q15. If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

Not applicable.

Q16. What are your views on the proposed adoption dates?

The consultation paper proposes the change date to be for financial years beginning on or after 1 January 2012. In our opinion this is too short a timescale, given the work that still needs to be done prior to the issue of final rules. It is unlikely that the final rules would be available in sufficient time to allow UK entities a reasonable period to consider and adjust to the changes involved, the level of which should not be underestimated. If there is insufficient time allowed to plan properly there will be a significant amount of "muddling through" and resulting mistakes that will require to be corrected in subsequent years.

For an entity with a December year end their first accounts under the new rules would be to 31 December 2012 with comparatives to 31 December 2011 restated. From 1 January 2011, therefore, the new rules would be a live issue for such an entity.

Many audit and accounting firms have little or no experience with the practical application of international reporting standards as they have few or no publicly traded clients. These firms should also have the opportunity to spend time understanding the changes that will be required prior to practical application.

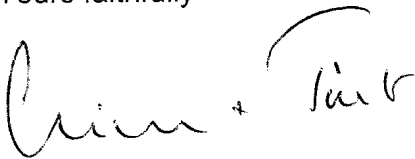
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We consider that adoption should be held off until all the issues discussed in this consultation have been addressed including the future of sector specific SORPS and the issues surrounding public benefit entities. We should not be in the position of having to meet these adoption dates "with further guidance to follow" for sector specific entities, for example. Given the amount of work that still appears to be required we suggest postponing application to accounting periods beginning on or after 1 January 2013 at the earliest.

Please contact Irene Gray should you require to discuss any of the matters noted above.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'Irene Gray', with a large flourish at the end.