

25 January 2010

For the attention of Peter Godsall
The Accounting Standards Board
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Our ref: mjs/tp/ukg

Your ref:

Dear Sirs

ASB Consultation Paper – the future of UK GAAP

We are pleased to respond to your consultation paper on the future of UK GAAP and specifically on whether the IFRS for SMEs, as issued in 2009 by the International Accounting Standards Board, should form the basis for the financial reporting framework in the United Kingdom for those entities that are not required to adopt full IFRS. We have responded to the questions posed in the consultation paper in turn below, but there are a number of points that we would first like to highlight.

Clearly, this consultation is crucial to determining the future of financial reporting in the United Kingdom and it is vital that the consultation, and any subsequent exposure drafts, arrive at the right answer – that being the one that is of most benefit to those businesses and users of accounts who will be affected by the consultation, without adding to the already high cost of compliance. The adoption of IFRS by non-publicly accountable entities in the United Kingdom, even in the simplified form represented by the IFRS for SMEs, will clearly pose many challenges for those entities and it is crucial that the process is managed effectively. The IFRS for SMEs is in many ways very different from extant UK GAAP and the entities to which it is proposed to apply will face a significant learning curve in understanding fully the new requirements and the effect on their financial statements.

Although we have discussed this in detail below in our response to question 16, we strongly believe that the proposed adoption date set out in the consultation paper, i.e. application of the proposed UK version of the IFRS for SMEs for accounting periods beginning on or after 1 January 2012, is too soon to enable effective adoption of the new requirements and would impose undue difficulties for UK businesses. Moreover, the Standard has not as yet been adopted by the European Union.

We would urge the ASB to delay the date for adoption in order to allow the entities affected sufficient time to prepare, which we believe the proposed timetable does not. Even listed companies experienced significant difficulties in applying full IFRS for the first time; the lessons learned from their transition are firstly that businesses must not assume that IFRS and UK GAAP

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are substantially the same or even similar, and secondly that preparation on a timely basis – ideally starting in advance of the date of transition – is vital to ensure that the transition is as smooth as practicable. A delay in adoption would also allow additional time to develop the supplementary guidance that we believe is vital in allowing for adoption of the Standard by entities in the public benefit/ not for profit sector. Again, we have commented specifically on this issue below.

Question 1: Which definition of public accountability do you prefer; the Board's proposal or the current legal definitions? 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.

The Board has proposed that an entity is publicly accountable if:

- i). its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets)
- ii). it is a deposit-taking entity and/or holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. This is typically the case for banks, credit unions, insurance companies, securities broker/dealer, mutual funds or investment banks.

The inclusion of all publicly traded companies, rather than just those traded on a regulated market in the EU, within the application of full IFRS appears to make sense, and would reduce the inconsistency between the requirements of different exchanges (e.g. AIM which requires the use of IFRS and Plus which does not). Clearly Plus companies are publicly accountable as their shares are publicly traded, although it is common for them to be traded in much smaller volumes, and for much smaller percentages of the share capital to be traded, than AIM companies or those listed on the main London Stock Exchange.

This proposed definition would appear to require the separate financial statements of the parent company to be prepared under IFRS as well as the consolidated financial statements, which is not at present the case. Additionally, those rare publicly traded companies which have no subsidiaries and which therefore do not need to prepare consolidated accounts would be required to adopt full IFRS, again not the case at present. We would propose that this is made clear (potentially through legislation) when the proposed new requirements come into effect.

The second type of publicly accountable entity appears to be more loosely defined and although this would clearly include some entities that already prepare their accounts under IFRS, it would also include a number that are not, for instance small securities broking firms, and private banks. There is potentially room for interpretation about where the line is drawn regarding what constitutes a deposit-taking entity or one that holds assets for a broad group of outsiders, and who would set that line and therefore determine whether full IFRS accounts were required (e.g. the FSA).

The Board's preference not to define 'publicly accountable' as based on size appears appropriate. It would appear unnecessarily onerous to enforce the use of full IFRS on large private companies or on 'private Plcs' i.e. those who are a Plc in company law but whose securities are not publicly traded in any shape or form.

Question 2: Do you agree that all entities that are publicly accountable should be included in Tier 1? If not, why not?

As noted above we agree that all publicly traded entities should be included in Tier 1 (i.e. those that have to prepare full IFRS accounts). With regards to entities that otherwise fall within the definition of public accountability, as noted above there appears to be room for interpretation within the proposed definition and therefore this needs additional clarification and/or determination by an independent arbiter such as the FSA. Our concern is that quite small entities that are not publicly traded could be caught by this definition.

Question 3: 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?

This issue will only arise in the case of entities which are not publicly traded but are nonetheless publicly accountable (e.g. banks which are wholly owned subsidiaries of other banks) or potentially entities which may be publicly accountable due to having listed debt instruments. Given the proposal that such entities should adopt IFRS if they are not subsidiaries, the Board's proposal that such entities adopt EU IFRS appears logical and will promote comparability between such entities that are subsidiaries, and those that are not.

Question 4: Do you still 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.

Reduced disclosure requirements for such entities would potentially damage comparability between such entities and similar entities that are not wholly owned subsidiaries. If all entities that are publicly accountable (but not publicly traded) are required to use full EU IFRS then this should be applied consistently.

Question 5: Do you agree with the Board's proposal that the IFRS for SMEs should be used by 'Tier 2' entities?

The key issue at stake here is, essentially, whether UK GAAP should cease to exist and an accounting framework based on IFRS (albeit a simplified version) should be adopted in the UK instead.

If one assumes that the adoption of IFRS as a global accounting framework is inevitable, then the IFRS for SMEs provides a far better basis for adoption of IFRS for the average UK owner managed business than would the adoption of full EU-endorsed IFRS. Indeed, mandating adoption of full IFRS across the board would potentially cause extreme difficulties for such companies. Adoption of IFRS has caused enough problems for larger listed companies, who had the ability to dedicate far more resources to managing the transition than small companies would be able to. Indeed, even the adoption of the IFRS for SMEs will require a significant time investment and will lead to increased costs for UK businesses during the period of transition.

However, the question of whether the time is right to dispense with UK GAAP must first be addressed. At present, the IFRS for SMEs has not been adopted by the EU, and the EU has expressed concerns about it both at the draft stage and on release of the final Standard, with the main concern being that it is not simple enough for 'micro' entities. In our comment letter on the draft IFRS, we also expressed the opinion that it was still too complex for small FRSSE type

companies and we still hold this view. Although there are various means by which this issue can be addressed, it would appear premature for the UK to adopt the IFRS for SMEs before it has been endorsed by the EU, either in its current form or with any 'carve-outs', as this could lead to 'UK IFRS for SMEs' being different from 'EU IFRS for SMEs' and further revisions then being required to achieve consistency with other EU jurisdictions.

One could also argue (as some commentators may) that there is nothing actually wrong with UK GAAP and that it has served private companies well for many years. Whilst this is true, UK GAAP has been in the process of evolution for many years, with longstanding SSAPs being replaced by more complex FRSs as well as the more recent standards such as FRS 20 and FRS 25 which converge UK GAAP with IFRS; indeed both UK GAAP and IFRS have constantly evolved. Whilst UK GAAP is perfectly acceptable (and could continue to be in the future) for a UK owner managed business that does not participate in overseas markets, many companies increasingly do business on a global basis and for such companies to retain UK GAAP could disadvantage them compared with companies in other countries where either full IFRS or the IFRS for SMEs has been adopted.

The aim of the IASB is to produce a truly global set of accounting standards and if global convergence of standards is ever to be achieved, it is IFRS that will form that framework, albeit with at least some convergence with US GAAP in the process. To retain UK GAAP in more than the short to medium term would render the UK out of step with that process with potential disadvantages to UK businesses.

It is worth noting that paragraph 2.40 of the consultation paper states that 'it did not make sense to maintain UK GAAP in its existing form because it has become overly complicated'. Moreover paragraph 2.38 states that a principal consideration of the Board is 'to achieve an appropriate balance in cost and benefit terms so that whilst there is a cost involved in some entities having to transition to new reporting arrangements, those costs are outweighed, at least in the medium to long term, by overall benefits of strengthened and less complex financial reporting requirements'. It is debatable whether the IFRS for SMEs is less complex than UK GAAP, or whether UK GAAP is 'overly complicated'. The principles of UK GAAP have generally been well understood by entities and the main exceptions to this are probably those Standards which are derived from IFRS, such as FRS 20.

Question 6: 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 reason for recommending these amendments.

To revise the IFRS for SMEs would not achieve the aim of converging UK financial reporting with IFRS, or globally – this would effectively lead to the retention of UK GAAP as it is likely that any amendments would be to reduce the differences between the IFRS for SMEs and UK GAAP. Amendment of the IFRS should be left to the IASB and take account of any changes to full IFRS which require consequential amendments to the IFRS for SMEs.

As noted below however, permitting small companies certain additional exemptions would be one option to reduce the burden on such companies without the need to retain the FRSSE or create an additional separate standard for 'micro entities'. This could be done as a bolt-on section to the UK-issued IFRS for SMEs, rather than amending parts of the main body of the Standard.

Question 7: Do you agree with the Board's proposal that large non-publicly accountable entities should be permitted to adopt the IFRS for SMEs? Or do you agree that large entities should be required to use EU adopted IFRS? Please give reasons for your views.

The Board's proposal not to mandate adoption of full IFRS for large non-publicly accountable entities is in our view appropriate. There are many owner managed businesses which, although sizeable, are not accountable to the public in any way, and it would appear unduly harsh to burden them with the need to comply with full IFRS. Although the title of the IFRS for SMEs appears to suggest that it is only applicable to small or medium-sized entities, this is not correct (because of the definition of such entities within the Standard) and it is unclear why two other proposed titles for the Standard (IFRS for Non-Publicly Accountable Entities and IFRS for Private Entities) were not adopted when both were accurate, whereas the title eventually used is both inaccurate and potentially misleading. It is clear from the IFRS itself that it is meant to apply to all entities that are not publicly accountable and this should also be the approach taken in the UK.

Question 8: Do you agree with the Board that the FRSSSE should remain in force for the foreseeable future?

One of the concerns that we expressed when the draft IFRS for SMEs was first issued was its applicability to smaller entities. As noted above although the draft IFRS represented a significant simplification of the rules in full IFRS, we were (and still are) concerned that it remained too complex for smaller entities and specifically those currently applying the FRSSSE. The ASB has proposed retaining the FRSSSE on the grounds that the cost of change to IFRS for SMEs would not be justified for FRSSSE entities, and also because the EU are currently deliberating proposals on financial reporting for micro entities.

However, retaining the FRSSSE for small entities has severe drawbacks – even as a stop gap measure. The FRSSSE is not a self contained accounting standard in the same way as is the IFRS for SMEs. There are some accounting issues which are not covered in the FRSSSE and where reference back to the full Standard may be required in order to formulate an appropriate accounting policy, for instance accounting for Employee Benefit Trusts. This option would no longer be present once the accounting framework for non-FRSSSE companies ceases to be based on UK GAAP; effectively it would render the FRSSSE devoid of an accounting frame of reference. (Indeed, EBTs are not specifically covered in the IFRS for SMEs as this is a UK – specific concept).

Additionally, retention of the FRSSSE could cause difficulties for those companies that are on the borderline of the small company threshold. Once a company ceased to be small, they would be required to dispense with UK GAAP (in the form of the FRSSSE) and move on to IFRS (albeit in a simplified form). The Board would need to decide whether this would then be irrevocable, in the same way that voluntary adoption of IFRS is at present. It is possible to envisage a scenario where a company would become 'medium' and have to adopt IFRS and then become small again following a bad year, and potentially revert to UK GAAP (if that were permitted). This would clearly lead to a lack of comparability between different financial years.

As a related point, the issue of what circumstances would permit a change between using full IFRS and the IFRS for SMEs should be addressed in law – for instance, whether a publicly traded company that de-listed could then adopt the IFRS for SMEs following the de-listing. At present companies listed on the main London Stock Exchange that de-list can in law revert to UK GAAP as this is defined as a 'relevant change of circumstance' in the Companies Act, but AIM companies cannot as the 'relevant change' is de-listing from a regulated market in the EU, which AIM is not. (This inconsistency should also be addressed).

Finally, the retention of UK GAAP (albeit in a simplified form) would lead to a lack of comparability between the results of small companies and those of larger entities. If an IFRS-based accounting framework is perceived to be global best practice, then there is a risk that accounts which are prepared under a different framework could be viewed as second-rate. From a commercial perspective this could be disadvantageous to smaller entities, for instance in obtaining commercial contracts, investors, or finance.

Question 9: Do you agree that the FRSSE could be replaced by the IFRS for SMEs after an appropriate transition period, following the issuance of the IFRS for SMEs?

As noted we do not believe the retention of a UK GAAP-based FRSSE is appropriate in an overall accounting framework based on IFRS, even as a temporary measure. Rather, the FRSSE should be dispensed with, and instead further simplifications should be made to the IFRS for SMEs, either by the production by the ASB of a revised FRSSE based on the IFRS for SMEs, or, more straightforwardly, by the incorporation in the UK version of the IFRS of a section detailing further exemptions for companies that meet the 'small company' criteria in the Companies Act 2006. Such exemptions should include (but not necessarily be limited to):

- reduced disclosure requirements;
- exemption from the requirement to prepare a cash flow statement;
- a disclosure only approach to share-based payment transactions as permitted by the current FRSSE; and
- exemption for small groups from the requirement to prepare consolidated accounts.

Some of these suggested exemptions could potentially be dealt with in law, for instance in respect of cash flow statements.

Question 10: Do you agree with the Board's current views on the future role of SORPs? If not, why not?

Overall the Board's proposals for the future of SORPs appear sensible in the context of the Board's other proposals. We would however dispute the retention of the LLP SORP purely for those LLPs applying the FRSSE. There are issues covered by the SORP which are specific to LLPs and which will clearly affect those LLPs that are not small and will therefore be required to adopt the IFRS for SMEs. A revised version of the LLP SORP should instead be produced which deals with LLP-specific issues in the context of an IFRS-based accounting framework.

As noted above there are potentially significant issues arising from retention of the FRSSE and these would apply equally to small LLPs as small companies. In the event that small companies were mandated to adopt the IFRS for SMEs but with additional exemptions, as per our proposal, similar exemptions should be permitted for small LLPs.

As noted below, we also believe that additional guidance on certain specific sectors formerly covered by SORPs – for instance charities and social housing – will be necessary once the relevant SORPs cease to exist.

Question 11: 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?

The main issue in respect of public benefit/ not for profit entities is that IFRS was not designed to apply to such entities, and therefore the IFRS for SMEs draws off an accounting framework which does not deal specifically with such entities. Because of this gap in IFRS, the ASB therefore needs to consider how not for profit entities should prepare their accounts once UK GAAP effectively ceases to exist.

At present in the UK the accounting requirements for charities (for example) are covered in both UK GAAP generally and the Charities SORP; charity accounting requirements are different in some respects from those for non-charities particularly in the presentation of the financial statements and the more onerous requirements in respect of the preparation of consolidated financial statements.

Once UK GAAP effectively disappears, on the face of it this would require not for profit entities to apply the IFRS for SMEs - but because this is not NFP-specific it does not deal with the sort of issues that the SORP does. It would appear clear to us that some form of specific guidance for charities and other forms of public benefit entity will still be required.

The consultation paper identifies four options for dealing with not for profit entities under the new accounting framework. These are:

- i). a public benefit entity framework, similar to the existing Interpretation for Public Benefit Entities of the Statement of Principles for Financial Reporting;
- ii). a not for profit standard setting out where different accounting is required for such entities;
- iii). separate standards on public benefit issues, for example a standard on contributions, a standard on fund accounting, a standard on the presentation of the primary statements and so forth; or
- iv). supplementary text in 'UK GAAP' (i.e. the IFRS for SMEs as applied in the UK) e.g. separate paragraphs or application notes in a fixed asset standard on measuring the service potential of assets, or in a business combinations standard on acquisitions at nil or nominal value or merger accounting.

The Board's preferred option, according to the consultation paper, is option ii) which would essentially maintain the status quo by developing a standard stating where different accounting was required from standard GAAP – as the SORP does at present. We would agree with this preferred option as it appears to be the 'cleanest' solution - option iv) would risk making 'converged UK GAAP' too bulky and option iii) would have the effect of creating a number of different Standards which we do not believe is necessary.

In effect, the end result would be for the Board to develop a Standard that requires not for profit entities to follow 'converged UK GAAP' i.e. the IFRS for SMEs other than in respect of certain specific areas or issues, and that then sets out these issues and the required accounting. This would have the benefit of not requiring the Standard to be updated for changes to IFRS, or to the IFRS for SMEs, but only where changes specific to reporting for not for profit entities occur. We would however note that it is vital that this Standard is developed in a time frame that allows for it to take effect from the same date as does the IFRS for SMEs.

Finally, it is imperative to ensure that any Standard for not for profit entities requires them to follow 'converged UK GAAP' – i.e. the IFRS for SMEs, as applied in the UK – as their starting point rather than full IFRS. There may be an argument that many not for profit entities, and particularly the larger charities, are publicly accountable. However, in our view such entities are not intended to be caught by full IFRS based on the definitions of public accountability in the IFRS for SMEs, and mandating the adoption of full IFRS for charities would place an intolerable burden on them which was not shared by the vast majority of non-publicly traded profit making entities. Not for profit entity accounting should be based on the IFRS for SMEs, supplemented or overridden as necessary by the additional Standard proposed by the Board.

This section of the consultation paper does not specifically discuss small not for profit entities and whether any additional exemptions are permitted for such entities does need to be considered by the Board in developing a not for profit Standard.

Question 12: 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 SMEs needs to be supplemented for the public benefit entity sector?

As noted above the appropriate option appears to be for this Standard to cover only those areas where the IFRS for SMEs needs to be supplemented.

Question 13: 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?

The consultation paper lists a number of possible areas which are specific to not for profit entities and which we have reproduced below, together with our comments on each of the potential issues raised by the Board.

Accounting issues	What is different about public benefit entities	Our comments
Presentation of the primary financial statements	Specific requirements may be needed for issues such as restricted assets, classification of expenditure (by object, function or programme?) how residual interest should be presented, etc.	Additional guidance clearly needed on presentation requirements.
Fund accounting	How to report different kinds of funds (restricted and unrestricted) the effect of conditions when resources are received and the way in which they are subsequently treated.	Ditto
Revenue from non-exchange transactions	Non-reciprocal transfers, such as income from donations, legacies and grants, including the impact of any restrictions and conditions that might be attached to these contributions.	Ditto, as such matters are not covered by IAS 18 'Revenue' or the equivalent section of the IFRS for SMEs.
Valuation of assets, including impairment	Assets are generally held to deliver services to members of the public that are	There could be issues in applying the impairment requirements of

Accounting issues	What is different about public benefit entities	Our comments
	often free or subsidised. The absence of any direct cash inflows to the entity may result in these assets being valued in terms of their service potential.	IFRS to such assets (i.e. fair value less costs to sell versus value in use) so additional guidance is likely to be beneficial. Accounting for heritage assets may also pose problems.
Business combinations	Acquisitions may take place at nil or nominal consideration and there may sometimes be an alternative to acquisition accounting.	Agreed. There is a very obvious gap in IFRS in that it does not deal with common control transactions/ group reconstructions. It is unclear how IFRS would deal with (for instance) two charities combining their operations.
Financial instruments e.g. soft loans	How to account for loans that are made (or received) at a below market rate of interest to support the economic and social policy objectives of a public benefit entity.	There may be no issues here as the charging of a below market rate of interest does not (to our mind) require different accounting from the charging of a market rate of interest.
Liabilities	How to report liabilities for non-performance related commitments to provide public benefits or obligations arising from multi-year grant awards made by grant-giving charities.	This will need to be addressed in the proposed public benefit entity Standard.
Identifying the reporting entity	The boundary of a reporting entity is determined by the scope of its control – but how does this principle apply in the not for profit context, particularly in terms of the indicators of control?	Further clarification in this area would be beneficial, and it is an area which can cause problems under existing UK GAAP.
PFI schemes and similar contractual arrangements	How should not for profit entities account for PFI/ PPP contracts and similar arrangements?	Further guidance may be beneficial.
Narrative reporting	How to report the extent to which the entity is achieving its strategic objectives, particularly with regard to service delivery and, more broadly, to promote accountability.	Guidance on the content of the Trustees' Report will be needed.

As noted in the consultation document there is a clear issue as to whether the disclosures required by the IFRS for SMEs are really appropriate for not for profit entities, and the public benefit entity standard would need to address this for instance by providing exemptions from some of the disclosures in the IFRS for SMEs and requiring additional sector-specific disclosures as necessary.

Question 14: The Board accepts 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 the Board should provide a Statement confirming the guidance is consistent with UK GAAP, including the public benefit entity standard?

It would be appropriate for the Board to provide a statement confirming consistency and it is likely there will be an ongoing need for further additional guidance in certain very specific sectors e.g. social housing. Care will need to be taken as to what such a statement confirms consistency with – UK GAAP will essentially no longer exist so consistency will essentially be with the IFRS for SMEs, as applied in the UK.

Question 15: 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 an investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

Whilst the Firm is not a user of financial statements, it is an auditor of many financial statements whose basis of preparation will change as a result of applying the proposed requirements and is itself, as a limited liability partnership, an entity whose basis of preparation of financial statements will change.

It would be naïve to assume that the costs, and practical effects, of the transition will be small. Both entities who are affected, and their auditors, will need to spend time and incur costs in getting to grips with the new requirements. This will not merely include training and research but also the hands on time spent in preparation of information under the new requirements; in the case of the transitional period this will involve preparation of financial information under both old UK GAAP and the IFRS for SMEs (and reconciliations between the two) which will clearly involve some duplication of effort. We have commented further on the 'learning curve' required below and on whether or not the proposed time frame is really adequate.

Question 16: What are your views on the proposed adoption dates?

The consultation paper proposes a changeover date of accounting periods beginning on or after 1 January 2012. In effect all UK companies (except small companies if the FRSE carve-out is adopted) will need to prepare their accounts under the IFRS for SMEs for accounting periods beginning on or after that date.

We strongly believe that this time frame is too brief. Given the February 2010 deadline for comments on the consultation paper, and assuming a reasonable time frame for the Board to collate comments, draft UK-specific amendments to the IFRS as necessary and then produce an exposure draft, it is difficult to see a final version of the Standard being produced much before the end of 2010. This does not leave UK entities very much time to get to grips with the significant changes that adoption of the IFRS for SMEs will make to their financial statements.

For an average medium sized company with a December year end, not only will the 2012 figures need to be prepared under IFRS but also the 2011 figures (for inclusion as comparatives), and a balance sheet under IFRS at the date of transition, in this example 1 January 2011. This simply does not give the management of a typical private owner managed business enough time to fully

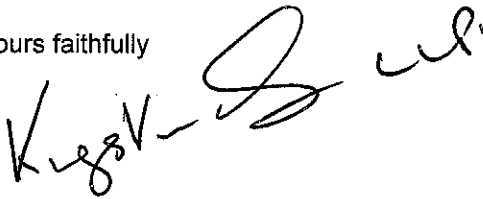
comprehend the Standard before preparing the date of transition figures – they will instead need to prepare them retrospectively.

A significant amount of time will be required to get to grips with the Standard not just for entities, but for audit and accounting firms who have not historically dealt with publicly traded companies and who have not therefore developed IFRS expertise in-house. There is a risk that assumptions will be made about the similarity of the IFRS for SMEs with UK GAAP which are incorrect and that mistakes will therefore be made on first time adoption. Indeed many listed and AIM companies underestimated both the degree of difference from UK GAAP and the amount of time that needed to be spent (and costs incurred) on the transition.

Although mistakes are inevitable to a certain extent given the degree of 'learning curve' required, it would be better for a sufficient lead time to be built in to the Standard to allow for the right degree of familiarity with the Standard to be obtained, both by entities and by their auditors and accountants. We would propose that applying the Standard for accounting periods beginning on or after 1 January 2014 would allow sufficient lead time for processing of what is likely to be the most fundamental change to UK financial reporting in many years (and for many years to come).

If you have any questions in respect of our response to your consultation paper, then please do not hesitate to contact either Peter Holgate or Tessa Park.

Yours faithfully



KINGSTON SMITH LLP