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Accounting Standards Board,
5th Floor, Aldwych House,
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11th September, 2009

For the attention of Mary Evans

Dear Sirs,

IFRS for Small and Medium Sized Entities (SMEs)

I am writing to set out our response to the proposal to implement IFRS accounting for SMEs for the financial years beginning on or after 1st January 2012, which will necessitate the restatement of comparatives for 2011 from UK GAAP. The envisaged benefit of the proposal is that it will increase international comparability and provide an improvement in access to funding. Over time, it should become simpler to understand financial statements prepared under the IFRS, since UK GAAP has become more complex with different standards applying to different types of entity.

Whilst we recognise that the number of disclosure requirements in the new Standard for SMEs is far fewer than in the full IFRS, there is also the fiscal impact of the proposal. There is no doubt that the proposal will generate additional work and cost, especially during the transition, at a time when SMEs in the UK are struggling to mitigate the effects of the global recession. In the current climate, cost control is foremost in the thinking of any Board. To impose an additional burden which generates no tangible benefit for SMEs stakeholders nor adds value for their shareholders sets a dangerous precedent for the future.

The envisaged benefit of the proposal is largely irrelevant to SMEs which have well established Key Performance Indicators. Consequently they do not need to benchmark their businesses by way of international comparisons. The suggestion that access to funding will be facilitated is not credible in the current economic climate, nor is it realistic to assume that funding for a UK SME from a US or continental bank would be enhanced by the adoption of the IFRS.

In our view UK GAAP, despite its problems, works OK for UK SMEs and should be preserved. Now is not the time to introduce a new IFRS for SMEs. If at all, why not introduce the new Standard on

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a voluntary basis so that SMEs could migrate to it at the appropriate time in their business cycles?
Failing that, its introduction should be postponed for five years.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Paul Alexander". The signature is written in a cursive, slightly slanted style.

Paul Alexander
Chairman, Tennants Consolidated Ltd.