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Update on Charity SORP Committee plans for further research and development of the SORP

The SORP Committee at its last meeting received an update from Alan O'Connor, ASB Project Director, outlining issues affecting the convergence of UK GAAP with IFRSs and the potential impact on the ASB's position on convergence.

The Committee's view is that in laying the foundations for the development of the next Charities SORP, important research work is needed to gauge the views of key stakeholders on charity accounts and reporting and to identify the key accounting and reporting issues which need to be addressed if the high level of public confidence in charities is to be maintained.

Awareness of the convergence agenda is not high within parts of our sector. The Committee will therefore need sufficient time to fully assess the impact that convergence will have on the accounting framework currently applying to charities and we are conscious that if we do not commence a dialogue with our sector and start our research in the near future then the development of our SORP will be lagging behind the published convergence timetable. The dialogue with the sector will involve an initial engagement with stakeholders, through a conference and a series of roundtable events, to identify current issues and concerns and this will, we believe, be a vital element in ensuring our sector is able to meet the challenges convergence will present.

With the ongoing uncertainty as to the ASB's timetable concerning convergence of UK GAAP and IFRSs, the Committee agreed it was too soon to finalise plans for the development of a new SORP because the Committee regards it as essential that its own SORP development plans dovetail into the programme of convergence between UK GAAP and IFRS. Our aim is to try to ensure that a SORP which is compliant with a converged UK GAAP is available to our sector as soon as possible after convergence is achieved.

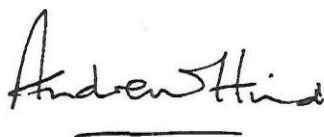
The SORP Committee is aware that the ASB's convergence plans, and therefore the background to developing a new SORP, are subject to considerable additional uncertainty. There is the ongoing debate between the EU Parliament and the IASB about the nature of IFRSs in the European context as well as discussion about the application of the IASB's draft Small and Medium Enterprise standard. The Committee is also aware of the UK HM Treasury initiative to move to an IFRS compliant whole of government accounting framework. We also understand that the ASB may be reviewing the future role of SORPs within an IFRS convergent UK GAAP.

The SORP Committee is concerned that the continuing uncertainty as to the ASB's timetable for convergence could impede the timely development of the next Charities SORP compliant with a UK GAAP which has converged with IFRSs. There is currently considerable uncertainty in the sector about convergence and how it is to be achieved. The SORP Committee proposes to keep the convergence issue on its agenda and regular updates from the ASB would clearly assist the Committee as it takes forward its work. In the absence of an IFRS conceptual framework addressing the reporting needs of charities or public benefit entities, the Committee's approach is clearly contingent on developments that may take place during the period leading to convergence. Amongst the options the Committee is actively considering is the adaptation of an IFRS compliant FRSSE and our work programme will remain responsive to such developments.

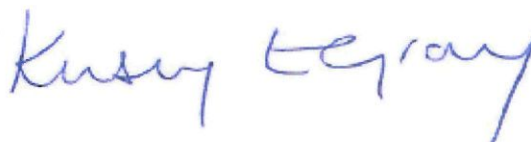
We would be pleased to receive the ASB's comments on our proposals and the direction proposed by our SORP Committee. Alan O'Connor is the ASB's observer on our SORP Committee and we propose to keep Alan closely advised as we take forward the development work. We plan to initiate the stakeholder dialogue in spring 2008 and so we would appreciate the ASB's comments at your earliest convenience.

If it would be helpful we would be pleased to meet with you to discuss our plans, or to clarify any particular points with you.

Yours sincerely



Andrew Hind
Chair of Charities SORP Committee



Kirsty Gray
Deputy Chair of Charities SORP Committee