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Your Ref:
Our Ref:

Date: 19 April 2007

Dear Ian,

International financial reporting standards and accounting for Not-for-profit Entities

The Charity Commission for England and Wales is established by law as the regulator and registrar of charities in England and Wales and the Office of the Scottish Charity Regulator (OSCR) is established by law as the regulator and registrar of charities in Scotland. The Commission and OSCR have been approved by the Accounting Standards Board (UK ASB) as the joint body charged with developing a Statement of Recommended Practice (the Charities SORP) applicable to charities in the UK.

The SORP Committee which advises the Commission and OSCR, considered developments in international accounting standards at their April meeting and are seriously concerned that developments in international accounting standards were giving insufficient attention to the needs of not-for-profit entities, and in particular charities. With the ASB's plan to converge UK GAAP with International Financial Reporting Standards (IFRSs), the Charities SORP will be required to comply with the new IFRS compliant UK GAAP, but the IASB has given not-for-profit entities little active consideration and the IPSASB project on international accounting standards is considering only government and public sector entities.

The Commission and OSCR also understand that the IASB has made no decision as to the timing of the conceptual framework phase G: application to not-for-profit entities. Given the ASB's convergence plans, there is a risk that UK charities will be required to apply IFRS convergent standards without a framework of principles, or a tailoring of the application of commercial for-profit standards for the particular circumstances and transactions of charities and other not-for-profit entities. Whilst we welcome the work of the 'Monitoring Group', which included the Chair of the ASB, in providing a commentary on the Framework from a not-for-profit standpoint, it appears the IASB attaches little importance to the not-for-profit sector in its planning and project timetable.

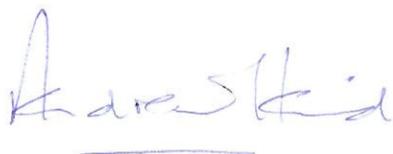
UK charities have a combined income exceeding £40bn and have relied upon the existence of the SORP making process, under the auspices of UK GAAP, to create a national framework for charity accounting. Indeed the legal requirement for charity accounts in England, Wales and Scotland is based in part on the "methods and principles" of the Charities SORP.

Although the SME standard is not intended for not-for-profit entities, in the absence of the timely development by the IASB of accounting standards applicable to not-for-profit entities, the UK Charities SORP Committee is considering adapting the proposed IASB SME standard as being the most pragmatic solution for the generality of UK charities preparing accrual accounts. About 99.9% of charities registered in England and Wales and Scotland have an annual income of less than £10million and therefore full compliance with IFRSs would be disproportionate to the information needs of stakeholders and impose an excessive compliance cost on the sector. If the Charities SORP is amended on convergence, based on the proposed IFRS for SMEs, then any solution subsequently developed by IASB for not-for-profit entities, if different, will cause avoidable cost and disruption to the UK charities sector.

The IASB is not proposing, as part of the SME project, to develop detailed guidelines on eligibility to adopt the proposed SME standard, instead leaving this decision to national jurisdictions. We welcome this approach. The IASB will indicate those entities for which the proposed SME standard will not be appropriate, and these entities will have to comply in full with IFRSs. The ineligible category is currently defined from a for-profit standpoint, and we would be grateful for your confirmation that the ASB has no intention to include the generality of charities within the ineligible category, thereby obliging all charities to comply with full IFRSs.

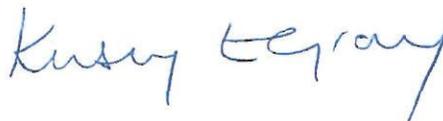
We request that the ASB urgently press the IASB to publish a detailed timetable for developing accounting standards for the not-for-profit sector or obtain an assurance from the IASB that the IASB will actively liaise with or support the ASB in developing these standards, ensuring the involvement of the UK Charities SORP body along with other parties.

Yours sincerely,



Andrew Hind

Chair of Charities SORP Committee



Kirsty Gray

Deputy Chair of Charities SORP Committee

Copy: Sir David Tweedie
Chairman
International Accounting Standards Board

Copy: Mr Mike Hathorn
Chairman
International Public Sector Accounting Standards Board