

Mrs Jenny Carter – Director of UK Accounting Standards
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

Sent electronically to ukfrs@frc.org.uk

77 Mansell Street
London
E1 8AN

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Dear Jenny,

FRED 68: Draft amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*

The Charity Commission for England and Wales and the Office of the Scottish Charity Regulator act together as the joint SORP-making body for UK charities, and this response to the consultation is made in that capacity.

We welcome this opportunity to offer feedback and are pleased to note the attention given by the FRC to a transaction that is unique to Public Benefit Entities.

As the invitation to comment acknowledges, this is an area where the accounting treatment currently applied in practice differs. Such inconsistent practice has been a concern of the Charities SORP Committee. The area was also raised by stakeholders in feedback gathered from the 2016 SORP research exercise which identified specific implementation issues in both FRS 102 and the Charities SORP (FRS 102).

Although it is strictly a matter of for-profit accounting for distributions of profit that fall to be treated as dividends by non-charitable trading subsidiaries, we believe the issue does merit special treatment because charities often establish wholly owned non-charitable subsidiaries with a view to generating profits that can be gifted to the parent charity. Specific guidance covering this transaction will therefore be helpful within the financial reporting standards applicable to non-charitable subsidiaries. We therefore support the proposed approach to address the issue by providing a solution within the provisions of FRS 102.

We welcome the proposed amendments as they will provide certainty around the accounting treatment for this transaction and they will promote greater consistency in the reporting by charitable groups and their trading subsidiaries. We also welcome the consideration given by the FRC to the information needs of users of Public Benefit Entities reports and accounts in developing an appropriate solution for this issue.

We support the work undertaken by the FRC to achieve a solution within the timescale of the current triennial review of FRS 102. The timing of the invitation to comment with a shortened comment period of four weeks has meant that we were unable to consider it at a meeting of our SORP Committee, however members of the Committee have been alerted to it and encouraged to respond in their own right.

In conclusion we support the proposed amendments.

Yours sincerely,



Nigel Davies
Joint Chair of Charities SORP Committee
Head of Accountancy Services
Charity Commission for England and Wales



Laura Anderson
Joint Chair of Charities SORP Committee
Head of Professional Advice & Intelligence
Office of the Scottish Charity Regulator