

Dear Sir/Madam

Please see below our response to the consultation:

## **Question 1**

### **Gift aid and deferred tax**

We welcome the amendment to FRS 102 to the effect that when a post year end gift aid payment is "probable" its effect on tax can be recognised in the current year. For this purpose, FRS 102 states that a deed of covenant to make a gift must be in place however we would argue that signed accounts recognising the liability would also demonstrate that the gift aid payment has been approved and more likely than not will be paid.

We are concerned that there could be an inconsistent approach with regard to deferred tax as the amendment does not make clear whether the existence of a deed of covenant obligation to make a gift aid payment can be taken into account when considering the need to provide deferred tax. Paragraph 29.14A(c) refers to deferred tax but its meaning is not clear to us and indeed we have received differing interpretations from accounting firms.

We consider that it should be accepted that a gift aid payment under deed is equally "probable" for deferred tax purposes where the deed is open ended. Furthermore, a deed requires both parties to agree to terminate and it would be in neither party's interest to do so.

## **Question 2**

### **Joint Ventures and associates held as part of the investment portfolio or as a Social Investment**

The SORP requires (28.10 and 29.13) that joint ventures and associates that are held as part of the investment portfolio or as Social Investments are accounted for using the equity method of accounting whilst, consistent with FRS 102, requires all investments in subsidiaries to be excluded from consolidation (24.13.) We suggest that this was an oversight in the drafting of the SORP and that it should be amended to be consistent with FRS 102 9.9B(a), 14.4B or 15.9B of FRS 102: Where a subsidiary, associate or joint venture is held as part of the investment portfolio or as a Mixed Motive Investment and its value to the Group is through fair value rather than as medium through which the Group carries out business, the associate or joint venture is measured at fair value with changes in fair value recognised in profit or loss (Statement of Financial Activities) in the consolidated Financial Statements.

Kind regards  
Fiona

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