

July 24, 2009

Dear Valued Client:

Re: IFRS for Small and Medium Entities

On July 9, 2009, the International Accounting Standards Board (IASB) released the International Financial Reporting Standard (IFRS) for Small and Medium Entities (SMEs). Over the last several months, many small businesses expressed concern that the full IFRS standards appeared to be designed with an emphasis on public company reporting and contained topics and detailed implementation guidance that generally are not relevant to SMEs. IFRS for SMEs were developed specifically for private companies and recognize that SME financial statement users are generally more focused on cash flows, liquidity, balance sheet strength, and solvency matters. The IFRS SME standards represent a simplification of the full IFRS standards and eliminate many accounting topics that are not generally relevant to private companies (for example, earnings per share and segment reporting). To date, the IASB has not issued any standards applicable to not-for-profit entities.

The IASB has defined SMEs as entities that publish general purpose financial statements for external users and do not have public accountability. Most private companies in the United States will fit into this category although certain entities such as banks, insurance companies, and broker-dealers are specifically excluded. Over the next few years, we expect more private companies to begin the transition from US GAAP to IFRS for SMEs, particularly those who may be owned by foreign entities or a supplier to foreign companies (some private companies have already adopted full IFRS). One significant factor as to the transition period will be how quickly users of private company financial statements, such as lending institutions and investment bankers, accept IFRS for SMEs as an acceptable method of accounting. The AICPA has already recognized the IASB and IFRS as generally accepted accounting principles, but it may be longer before financial statement users are ready for that change. Public entities and the Securities and Exchange Commission are still working towards a definitive timetable for adopting IFRS, but most believe it will be at least four to five more years.

Although the exact timing is still uncertain, it appears likely that all companies will ultimately be required to adopt some form of IFRS, either the full IFRS or IFRS for SME's. We believe companies should begin the process of understanding IFRS (or IFRS for SMEs) and how these new standards may impact their significant accounting processes, information systems, and financial reporting requirements. We will continue to keep you apprised of updates from the IASB, particularly related to matters that impact privately held businesses. In the meantime, feel free to contact us with any questions. We can be reached at 804-747-0000 in Richmond or 434-220-2800 in Charlottesville.

Keiter, Stephens, Hurst, Gary & Shreaves, P.C.