UK Asset Resolution

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For the attention of: Catherine Woods

21 January 2014

Dear Ms Woods,

Response to: 'Risk Management, Internal Control and the Going Concern Basis of Accounting - Consultation on Draft Guidance to the Directors of Companies applying the UK Corporate Governance Code and associated changes to the Code' ('the CP').

UK Asset Resolution Limited ('UKAR') voluntarily takes account of the UK Corporate Governance Code, though it is not required to comply with, or to state compliance with, the Code. However, so far as is practicable and in-line with the UKFI Framework document requirements, best practice governance provisions are established and followed by UKAR.

UKAR is unique in the way that it is funded, and therefore certain aspects of the CP, such as solvency and liquidity approaches, are not wholly relevant to UKAR.

We agree with and support the objectives of the CP to integrate current guidance on going concern, risk management and internal control. It is important to develop and increase the transparency and linkage of these different elements of Corporate Governance to support the Board objective to deliver the long term success of the company.

Our main observations on the CP are detailed below:

1. UKAR agree with the FRC that it is important to provide clear linkage between the assessment of business viability risks (including solvency and liquidity) and the broader risk assessment that should form part of a company's normal risk management and reporting process. The potential of this forward looking view to increase transparency to key stakeholders is recognised. We believe it is likely to provide greater clarity on potential impacts on the longer term viability (going concern) of the companies based on aspects that could cause severe distress as a result of the company's business model, external factors and the interaction between them.

2. UKAR would however like to highlight an element of caution on the forward looking information that should or should not be made visible based on the potential adverse impact on the company of disclosure, for example:

   2.1. We believe that sensitive information, or information which in the opinion of the directors may seriously impact the performance of the company, should not be disclosed. This could include forward looking uncertainties and specific challenges associated with for example, planned business developments and ongoing litigation where outcomes are uncertain and disclosure may have a detrimental impact on the delivery of the company's strategic objectives and consequently impact on the company's viability.

   2.2. In certain circumstances the timing of external disclosure is particularly important and there is a need to allow senior management to have appropriate time to develop mitigating strategies and to manage any subsequent impact.

   2.3. In addition, Boards' responsibilities to meet both regulatory and market transparency obligations as well as shareholder and other stakeholder requirements can result in natural conflicts and we need to be aware of the need to achieve mutual benefit. Increased independent challenge by External Audit on the internal assessment of principal material risks, uncertainties and proposed mitigation, and on the extent and timing of disclosure of these, may be an area where mutual benefit could be achieved.

3. UKAR also support the opportunity to enhance cohesion in the Annual Report ("to tell a story") driven by the proposals in this guidance and aligned to the recent Companies Act 2006 changes which introduced the requirement for a Strategic Report. We recognise the importance of emphasising the linkage between the detail in the narrative reporting and other parts of the Annual Report providing more effective communication between companies, their shareholders and other stakeholders. We welcome this positive move towards greater alignment of legislation and guidance.

We conclude that this is a process which we expect will continue to evolve as local and international regulation, legislation and guidance develop.

We trust you find our observations useful, and would welcome future dialogue on this matter.

If you would like to discuss any of these points, please contact Martin Scott, Financial Controller, UKAR on 01274 806112 or email martin.scott@ukar.co.uk.

Yours sincerely,

Ian Hares
Finance & Investment Director