



Direct Tel. 020 7216 7670
E-mail Robert.Hingley@abi.org.uk

Marek Grabowski
Executive Director
Financial Reporting Council
Fifth Floor
Aldwych House
71-91 Aldwych
London WC2B 4HN

23 January, 2014

Dear Marek,

Consultation Paper: Risk Management, Internal Controls and the Going Concern Basis of Accounting

In our response to the January 2013 consultation on implementing the Sharman Panel recommendations:

- we supported the aims of promoting good practice by company boards in considering, managing and reporting on solvency and liquidity risks
- we recognised the potential confusion caused by the dual use of the term 'going concern' with different definitions for financial reporting and stewardship purposes.

We understand that the approach taken by the FRC is not intended to imply that the Board's duty to assess going concern (in the 'common sense' meaning) should in any way be affected or weakened (and the new requirement is the first sentence of C.2.1 underlines this), but the Board's conclusion would then be 'implicit' in their decision to continue to adopt the going concern basis of accounting.

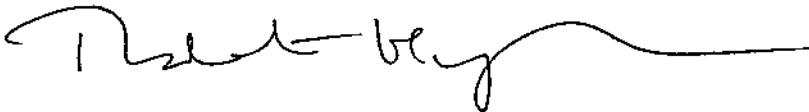
In response, however, to concerns raised by David Pitt-Watson and further questions posed by the FRC in its email of the 14th January, ABI members believe:

- an explicit confirmation of the Board's conclusion as to the ability of the company to meet its liabilities as they fall due remains highly desirable. A move away from such a requirement could - even though unintended - imply a weakening of the current requirement, and any such implication would be damaging to investors' interests
- potential confusion can be avoided by moving away from the use of the phrase 'going concern' in C.1.3. We believe that there is a range of formulations that could be used including, for example, the traditional working capital statement specified in the Listing Rules
- we agree, however, that, as recommended by the Sharman Panel, the assessment should not be limited to just one year and should consider wider threats to the business model looking through the economic cycle. If viability is in doubt that - and the risks or concerns leading to that doubt, including those identified under C.2.1 - should be reported

- the conclusion to adopt the going concern basis of accounting can, essentially as at present, be made in the light of the positive affirmation made above.

We welcome the opportunity to discuss this with you and other representatives of the investment community on Wednesday 29 January.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Robert Hingley', with a long horizontal flourish extending to the right.

Robert Hingley
Director of Investment Affairs

CC

Melanie McLaren, Executive Director of Governance, Codes and Standards
Angus Bogle, Director of Investor Engagement