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STANDARD LIFE INVESTMENTS

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Dear Steve

**GOING CONCERN AND LIQUIDITY RISK: GUIDANCE FOR DIRECTORS OF UK COMPANIES - EXPOSURE DRAFT MAY 2009**

Thank you for your invitation to comment on the Exposure Draft. Standard Life Investments is an indirectly wholly owned subsidiary of Standard Life plc. It is one of the largest investors in the securities of UK companies, with £122 billion of assets under management as at 30 June 2009. We therefore welcome an initiative which aims to enhance transparency, especially given the significance of going concern and liquidity risk. Also, the continued importance that is attached to the formal and vigorous assessment of matters relating to going concern and liquidity risk, whatever the economic circumstances.

On specific matters:

- Emphasis of matter. We welcome the attention that is drawn to 'emphasis of matter' within auditors' reports as this helps users to form a proper assessment of a company's financial position. However, we note that such an 'emphasis of matter' is drawn from the directors' own disclosures explaining the specific nature of material uncertainties. It would be useful if Paragraph 19 of the guidance contained specific reference as to what auditors should say if they disagree with these disclosures and assessments.

- Role of audit committees. Whilst recognising the overall responsibility of the board in matters relating to going concern and liquidity risk, we would like to see more emphasis placed on the role of the audit committee in assessing the judgements relating to these matters. We would also like to see a confirmation disclosure on the role of the committee in relation to how it has considered these matters.

- Clarity. We attach the highest importance to the clarity of financial statements and accounts. The disclosures referred to in the Exposure Draft need to be meaningful if they are to aid transparency. The Exposure Draft notes the disclosure requirements relating to going concern and liquidity risk and in Paragraph 77 says that, "where practical", these disclosures are brought together in a single note to the company's financial statements. We should like to see the Exposure Draft give strong encouragement to directors to provide such a note, with cross-referencing to other parts of the report and accounts, as appropriate. We also note the disclosure requirements under Paragraphs 64 and 65 of the guidance and would, in addition, favour narrative that gives context to these disclosures rather than a list of relevant factors.

- Assurance. Paragraph 62 refers to the Business Review as the place where directors explain the principal risks and uncertainties facing the company. However, such Business Reviews are not themselves subject to audit. In view of the significance of the directors' explanation we should like the FRC to encourage rigorous audit oversight of those sections of the Business Review that relate to going concern and liquidity risk and confirmation to that effect in the auditor's report.

- Pension fund liabilities. In terms of specific disclosure we note the lack of reference to pension fund liabilities and their consequential going concern and liquidity risk implications, if any. Bearing in mind the potential significance of such liabilities, we should like to see explicit reference in the guidance, so that it is not overlooked.

- Bank covenants etc. We note that disclosure is merely 'encouraged' in respect of items such as bank covenants. We are concerned that this latitude may be open to abuse and may give rise to misleading disclosures.

- Length of review period. Directors are required to disclose if the period that they have reviewed is less than one year from the date of approval of the annual, half yearly or interim financial statements. The Exposure Draft says that the auditors should make this disclosure if the directors fail to do so. Given the implicit risk to investors if the review period is less than one year, in such circumstances we should like the auditors to refer to the length of the review period in their report, whether the directors have disclosed it or not. They should also be encouraged to state whether or not they concur with the explanation given by the directors as to why the review period was the length it was.

In summary, relevant and meaningful disclosure of matters relating to going concerns and liquidity risk and evidence of the oversight provided by the audit committee would assist the confidence of users of company statements and provide the basis for holding boards to account. In considering the financial statements and forward-looking judgements, we think it vital to have a clear understanding of how directors have fulfilled their duties and reached their conclusions. In the interests of clarity and transparency we hope that the final FRC guidance will convey the expectation that there will be fuller disclosure on these matters.

We hope that these comments will help the FRC in its framing of the guidance.

Yours sincerely

Guy R Jubb
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