
From: Chisholm, Alex (BEIS)/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=E06D33F69FDF459B87B0A3CB75D2E37C-ALEX.CHISHO]
Sent: Wed 05/06/2019 7:56:33 PM (UTC)
To: Cooper, Tom - UKG; [REDACTED] GRO
Cc: Watson, Richard - UKG; [REDACTED] GRO; Creswell, Carl (Better Regulation Executive); [REDACTED] GRO; Watson, Craig (Advanced Manufacturing and Services); [REDACTED] GRO; Permanent Secretary; [REDACTED] GRO
Subject: Re: Confidential - POL litigation

Isn't it the same reporting standard?

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From: Cooper, Tom - UKG; [REDACTED] GRO
Sent: Wednesday, June 5, 2019 7:52:29 PM
To: Chisholm, Alex (BEIS)
Cc: Watson, Richard - UKG; Creswell, Carl (Better Regulation Executive); Watson, Craig (Advanced Manufacturing and Services); Permanent Secretary
Subject: Re: Confidential - POL litigation

Alex

This isn't about making a provision yet. The issue at the moment is disclosure of the contingent liability in the notes to the account.

Tom

Sent from my iPhone

On 5 Jun 2019, at 19:32, Chisholm, Alex (BEIS) [REDACTED] GRO wrote:

Tom,

The Minister quite reasonably expects the company to have made some estimates of exposures under various scenarios. Not having seen them she may feel they don't exist. I don't know whether she knows about - or has been briefed on - the relevant FRS but quite possibly not. From memory this requires provisions to be made when sufficiently specific in time, quantum and probability; I can see why this threshold might not yet be met; also why one would not want to advertise worst or expected losses to potential beneficiaries.

So I would organise a brief note to explain the situation and the constraints and risks that apply. And offer a more detailed breakdown perhaps lawyer-to-lawyer to provide reassurance that proper estimation occurring, while preserving legal privilege.

Copying Carl and Craig in case they have any better ideas.

A

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From: Cooper, Tom - UKGI GRO
Sent: Wednesday, June 5, 2019 9:51 am
To: Chisholm, Alex (BEIS)
Cc: Watson, Richard - UKGI
Subject: Confidential - POL litigation

Alex

As we heard yesterday Kelly is very interested to get an estimate from POL about the potential cost of the litigation.

We need to be mindful that the new auditors, PwC, are putting pressure on POL to disclose an estimate in the notes to the accounts this year – it has been raised by them at the audit committee as a significant audit issue. The Board's position is that, while the wording in the notes needs to change, it is still not possible to put a figure on the possible cost. The logic is that the claimants have not put forward a serious statement or indication of what they want, nor does POL have information on the 561 cases that would enable them to make an estimate themselves. My understanding is that POL does have information about 140 or so of the 561 cases because they were part of the mediation process a few years ago.

So the concern here is that it's possible that any estimates that POL gives BEIS could gain a degree of spurious validity with the auditors which could lead to two consequences:

- Disclosure of a range in the accounts which would effectively set a floor for any settlement
- A going concern issue and request from BEIS for a comfort letter about funding

POL are making a serious attempt to answer the questions in the Minister's letter to Tim Parker so they will do their best to let us know what they think the cost could be – suitably caveated I expect – so unless we modify our request we will get some numbers out of them.

Please advise as to how to proceed – should we raise this issue with Ministers?

Tom

Tom Cooper

Director

UK Government Investments

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