

HURST & COMPANY ACCOUNTANTS LLP

Audit Transparency Report

March 2010



31 March 2010

Audit Transparency Report

Foreword

This Transparency Report has been prepared in accordance with the provisions of the Statutory Auditors (Transparency) Instrument 2008 (the Instrument), made by the Professional Oversight Board (POB) of the Financial Reporting Council (FRC) on 3 April 2008. The Instrument came into force on 6 April 2008 and requires the publication of certain information by transparency reporting auditors, defined as statutory auditors that have made an audit report on the annual accounts of a public interest entity during the financial year of that statutory auditor.

The Instrument applies to financial periods starting on or after the commencement date and so the first mandatory report required to be filed by Hurst & Company Accountants LLP (HURST) is, as at and for the year ended 31 March 2010.

This Transparency Report is published after the POB's "Review of Mandatory Reports" released in May 2010 and so seeks to incorporate the findings of that report

Audit Transparency Report

1 Legal structure, ownership and governance of HURST

As an LLP, HURST is required to file accounts at Companies House (reference number OC307113) and is eligible to file abbreviated accounts.

HURST is owned by 6 equity partners, but governed by a board comprising, in addition, 2 participating partners and 2 senior employees (representing their specialist business areas). 81% of the voting rights of the board hold an audit qualification with the ICAEW. In addition the HURST board is chaired by our non-executive Chairman, who provides independent challenge to the board.

Individual Board members also hold the following designated positions of responsibility which are referred to in this report:

Managing Partner
 Practice Assurance and Ethics Partner
 DPB Contact Partner
 Audit Compliance Partner
 Qualified Person Responsible for Training (QPRT)
 Director of Practice Development & Marketing

2 Network membership

HURST is not part of a network.

HURST is a member of IGAF, an independent association of accounting firms in the UK, Europe and the rest of the world, which allows the firm to service client needs across international borders. These relationships are primarily tax related and there are currently no statutory audit engagements through this association.

3 Internal Quality Control

HURST holds an Audit Registration from the Institute of Chartered Accountants in England and Wales (ICAEW) and is subject to periodic reviews from the Quality Assurance Department (QAD).

The firm also holds a PCAOB registration, allowing it to undertake work for US listed entities.

The last QAD inspection was in April 2008 the outcome of which was successful.

At all other times, audit quality is controlled by the firm's Responsible Individuals (RIs) who operate in accordance with the firm's quality control procedures.

As at 31 March 2010 there are 6 RIs holding audit qualifications from the ICAEW, these RIs are listed on the Register of Statutory Auditors (www.auditregister.org.uk).

On statutory audits where we consider there to be a public interest (including but not limited to entities covered by this Report) an additional RI is engaged at the audit planning stage to act as an Engagement Quality Control Reviewer (EQCR). Our automated audit systems record this appointment and the work undertaken by the EQCR. Thus ensuring adherence to our quality control systems. This audit system also contains procedures for the identification and resolution of technical disputes within the audit team. These are used effectively.

None of our statutory audits meet the definition of the Audit Inspection Unit's "Scope of Independent Audits 2010/11" – except for that listed in 5 below.

Audit Transparency Report

3 Internal Quality Control continued

The RIs are supported by a team of experienced managers and professional staff, all of whom undertake relevant and sufficient Continuing Professional Development (CPD) to maintain their technical expertise. This CPD system is controlled by the QPRT to ensure only relevant training of the required quality is undertaken.

A Technical Committee chaired by the Audit Compliance Partner and comprising audit managers and senior accountants from time to time, monitors technical releases and the results of CPD training; ensuring this is disseminated throughout the audit practice.

All of HURST's audit work is subject to quality control reviews annually by an independent review specialist. Any areas of improvement are then relayed back to the audit team and documents/procedures changed as necessary.

As at the date of this Transparency Report HURST has not been inspected by the Audit Inspection Unit, within the meaning of the Statutory Auditors and Third Country Auditors Regulations 2007.

4 Internal Quality Control Review Process

HURST's board are committed to quality control over all aspects of the firm's activities. This is demonstrated by a range of review procedures that are all reported at the regular board meetings for comment and action.

These review procedures include, but are not limited to:

- As an ISO 9001 accredited organisation since 1993, our office procedures are subject to regular internal and external monitoring to ensure continued compliance. All findings are reported at the regular board meetings for comment and action.
- After all assignments our clients are asked to complete an assessment form of our performance. These are returned confidentially to our Director of Practice Development & Marketing; who approaches any dissatisfied (measured by certain scoring thresholds) clients to resolve issues.

Our clients give us a 90% overall satisfaction rating.

- HURST follows a strict complaints policy (as part of ISO 9001) whereby any complaints are logged immediately. The Director of Practice Development & Marketing investigates these complaints with the engagement partner and where appropriate, with the Managing Partner, to resolve such complaints.

All clients have the opportunity to pursue any complaint against the firm with the ICAEW and the Professional Oversight Board (under the Companies Act 2006 – in respect of statutory audit work).

In the period covered by this report the firm is pleased to confirm that there have been no complaints in relation to the conduct and delivery of its audit service.

Audit Transparency Report

4 Internal Quality Control Review Process continued

- On a technical level, in addition to the quality control measures explained in 3 (above); the firm undertakes a whole firm procedure review as part of its procedures for the completion of the ICAEW Annual Return; this covers:
 - Audit Compliance Review
 - Whole firm fit and proper review
 - 'Fit and proper' review of all staff
 - DPB (investment business) review
 - Money laundering and client monies procedures review.

These reviews are reviewed on behalf of the firm by the Managing Partner, Audit Compliance Partner and DPB Contact Partner.

5 Public Interest Entities

As at 31 March 2010 HURST are statutory reporting auditors for the following public interest entities (as defined in the Instrument):

- Coral Products plc

6 Independence, conflicts of interest and ethics

Once a year, all staff (including non-fee earners) are required to complete a "fit and proper" questionnaire as part of our whole firm procedures review (see 4 above). This includes specific sections dealing with independence and confidentiality and is reviewed by the Audit Compliance Partner. Any apparent issues arising are followed up and in particular, any connections or relationships with our audit clients precludes any involvement with that client.

Independence issues arising on a specific assignment as a result of potential conflict with the Ethical Standards are reported to the Ethics Partner.

7 Senior Statutory Auditors

As at the Transparency Report date, HURST has 6 RIs registered as Senior Statutory Auditors (SSAs), in accordance with the Companies Act 2006.

All RIs/SSAs undergo separate testing and an interview process before their appointment/promotion by the firm

All RIs/SSAs maintain their standards through the practice of their skills on their current portfolios and all maintain active client portfolios.

CPD is maintained and controlled by each of the RIs/SSAs and reviewed annually by the QPRT, on behalf of the board. CPD includes but is not limited to an annual audit and accounting update conference each year.

Audit Transparency Report

8 Financial information

HURST provides a full service offering to its clients, including accountancy, tax advisory and compliance, business advisory, outsourcing, payroll and corporate finance. Statutory audit fees are therefore only a proportion of total fees:

| | 2010 |
|-----------------------------------|--------------|
| | £'000 |
| Regulated audit work | 1,350 |
| | <hr/> |
| Public interest entity audit fees | 20 |
| | <hr/> |

Statutory audit fees represent less than 40% of the firm’s total fee income for professional services.

9 Remuneration policies

HURST’s board delegates remuneration decisions to a sub-committee. As well as determining staff salaries, partners’ salaries are also set by this committee. Partners salaries are based on partner performance in the role, including commercial performance, technical skills and leadership responsibilities. Partner and staff salaries are benchmarked to the market on a regular basis. Shareholding partners also participate in a division of profits based on share ownership.

10 Conclusion

HURST would be pleased to discuss any aspect of this Transparency Report with clients and potential clients, who are interested in learning more about how we undertake our work.