

TRANSPARENCY STATEMENT IN COMPLIANCE WITH THE STATUTORY AUDITORS (TRANSPARENCY) INSTRUMENT 2008

Hazlewoods LLP

Hazlewoods LLP is a limited liability partnership incorporated in the United Kingdom and is owned by its members. At 30 April 2011, there were 21 members (hereinafter referred to as "Partners"). The firm has 3 offices, all based in the county of Gloucestershire.

Network

Hazlewoods LLP joined the HLB International network on 15 September 2010. HLB International is a world-wide organisation of professional accounting firms and business advisers, each of which is a separate and independent legal entity and as such has no liability for the acts and omissions of any other member. HLB International Limited is an English company limited by guarantee which co-ordinates the international activities of the HLB International organisation but provides no professional services to clients. Accordingly, HLB International Limited has no liability for the acts and omissions of any member of the HLB International organisation, and vice versa.

Governance structure

The Constitution document of the firm is its membership agreement to which all members of the limited liability partnership are bound.

All members meet on a monthly basis to review the performance of the firm and consider business matters and matters relevant to the quality control objectives and performance of the firm.

Internal quality control systems

The firm is cognisant of the key quality drivers set out in the audit quality framework published by the financial reporting council.

The culture within the firm

The firm emphasizes quality throughout all of its service lines. This is emphasized through its internal documentation and through staff appraisal processes.

The firm has its own ethical procedures manual which gives further guidance on the application of the ethical codes issued by the United Kingdom Auditing Practices Board and by the International Federation of Accountants. It has appointed its senior technical partner as the partner responsible for independent ethics; he is supported by a committee who assist in advising and ensuring that at all times partners and staff comply with these codes and the firm's own procedures. All LLP partners and staff have been trained in these requirements which emphasize that at all times the firm acts in the public interest in relation to public reporting roles.

Staff requirements are monitored at all levels of the organisation and are reported both at individual office levels and at regular monthly meetings of the LLP partners in the firm.

Our ethical procedures ensure that financial considerations do not drive decisions which could have a negative effect on the quality of our audit work.

The LLP partners who lead each of the firm's service lines have high levels of technical expertise and the firm has an established consultation programme to help and support partners and senior members of the teams in addressing difficult and complex issues.

We have robust client acceptance and consultation procedures where all decisions on client acceptance are clearly documented to ensure that the firm has adequately identified each client before acceptance and has also assessed its ability to provide the services required by that client.

All staff are appraised on a six-monthly basis and the quality of their work is the principal driver with regards to their success with the organisation. A system of 360° appraisals has been implemented within the firm at all levels.

Quality procedures

We have developed standard working practices for each of our service lines. IT systems are used extensively to control both progress and quality of our work. This includes the use of a paperless audit system for the design and documentation of all audit work and IT based systems are used to control and monitor tax compliance services.

The firm has adopted the principles set out in the International Standard on Quality Control issued by the Auditing Practices Board in respect of its audit practice and has developed its own quality control manual and procedures to ensure that we continue to comply with this standard. The firm has strong systems of review and control not only in our audit procedures but in all areas of our work.

Quality monitoring

A detailed annual quality control review report is produced on an annual basis with monitoring of quality procedures carried out throughout the financial year. Feedback is provided both by written report and by internal training courses. Matters that have been raised in previous reports are followed up during the course of subsequent quality reviews. The firm has appointed a senior LLP partner to be responsible for its quality control systems and procedures with a second LLP partner responsible for monitoring compliance with those procedures.

Statement on internal quality control systems

The LLP partners believe that the various procedures set out above are effective in achieving their objectives, and, overall, are satisfied with the operation of the firm's internal quality control system.

The skills and personal qualities of audit partners and staff

The firm provides training to all partners and staff on ethical requirements and regular update courses are provided for staff in each of our main service lines.

Our audit system places great emphasis on understanding our clients businesses and it is tailored to specifically address the requirements of International Standards on Auditing (UK and Ireland). An audit briefing meeting takes place before the commencement of each audit at which all members of the audit team are present. This briefing includes a brainstorming session in respect of the risk of fraud arising.

Staff are allocated to assignments based on their skills and expertise and reviews are carried out of all audit work by qualified personnel and by LLP partners.

On the job training is emphasized throughout the firm and a comprehensive programme of in-house training courses is provided to ensure that all partners and staff have the skills and knowledge to fulfil their roles and provide the highest level of expertise to our clients.

Progress of all of our people is monitored through a regular counselling and appraisal process which is co-ordinated by a central personnel department.

The effectiveness of the audit process

As indicated above the firm has adopted paperless audit methodology which is specifically tailored to meet the requirements of International Standards on Auditing (UK and Ireland). Particular emphasis is placed on risk assessments carried out at the audit planning phase of the audit. The audit system is designed to ensure that all work is clearly documented and reasons for key audit decisions recorded. A review of all audit work is clearly marked on each audit file. The controls built in to the audit software also help ensure that an audit can only be completed once all of the issues addressed at the planning stage have been addressed and all of the required procedures performed.

The audit documentation also requires that key ethical decisions made at all stages of the audit are clearly recorded, with consultation having taken place as necessary.

All audit teams are aware of the support provided by the firm's senior technical partner who has many years audit experience and is a past member of the United Kingdom Auditing Practices Board. He is supported by a technical committee made up of a number of partners and experienced auditors within the firm, all of whom are available for advice and consultation when necessary.

The reliability and usefulness of audit reporting

The firm requires clear reporting to recipients of our audit reports. There are consultation procedures in place whenever a modified audit opinion is contemplated to ensure that this clearly conveys our opinion. Where there is an audit committee, discussions take place as appropriate confirmed by written communications about threats to audit objectivity, the scope of our audit, the key risks identified and judgements made in reaching the audit opinion.

Monitoring of quality control

The last audit review visit by the Quality Assurance Directorate of the Institute of Chartered Accountants in England & Wales took place in March 2010. The firm was last reviewed by the Audit Inspection Unit in December 2009.

List of public interest entities audited by the firm

The firm has audited two public interest entities in the financial year ended 30 April 2011. These were as follows:

- Chelverton Growth Trust plc
- Small Companies Dividend Trust plc

Independence procedures

The firm has clearly documented its rules on independence, reflecting the requirements of the ethical standards issued by the Auditing Practices Board in the United Kingdom.

A register is maintained of all clients that have shares listed on a regulated investment exchange, the AIM of the London Stock Exchange or quoted on PLUS markets. All partners and staff are made aware of the fact that they should not hold shares in any audit client. On an annual basis the firm obtains an independence declaration from all partners and staff to ensure that they are aware of their responsibility to maintain independence and to confirm that they do not hold any financial interest in an audit client of the firm that would jeopardise such independence.

At the planning stage of every audit, documentation is completed to confirm that no members of the audit team or the firm itself has risks which could jeopardise the independence or perceived independence of the firm in carrying out that audit engagement.

As part of the firm's internal annual compliance review, checks are carried out on all of the above documentation on a sample basis to confirm that the firm's independence rules have not been departed from.

Financial information

The financial statements of the firm for the year ended 30 April 2011 have not yet been finalised. In the year ended 30 April 2011, the firm's turnover was £15.0 million of which £2.5 million related to the provision of statutory audit services.

Basis of remuneration of the partners in the firm

Profits are shared among all partners (who are the members of the limited liability partnership) under a framework set out in the LLP members' agreement. The basis of allocation of profits is on a points system. Points are awarded by the partnership in committee based on seniority and a range of performance measures. This is not linked to the performance in any individual financial year and, specifically, audit partners are not remunerated on the basis of selling non-audit services to audit clients.

HAZLEWOODS LLP
10 June 2011