



LANCASTER MACLEAN

CORPORATE AUDITORS & ACCOUNTANTS

Business Ethics Policy

Introduction

Lancaster Maclean (LML) has a duty to work to the highest professional standard in the performance of its duties. This document sets out the firm's policy on business ethics that should be adhered to by all partners, associates, contractors and staff who carry out duties under the name of Lancaster Maclean.

LML is aware of and applies where applicable the ethical standards of the professional bodies of the institutes of chartered accountants (or equivalent) in the European Union and the requirements of the Sarbanes- Oxley Act of 2002 as applied in the United States of America.

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1. Fundamental Principles

The fundamental principles of LML's policy are as follows:

a. Fundamental Principle 1 – "Integrity"

LML will behave with integrity in all professional and business relationships. Integrity implies not merely honesty but fair dealing and truthfulness. LML's advice and work will be neither corrupted by self-interest nor influenced by the interests of other parties.

b. Fundamental Principle 2 – "Objectivity"

LML will strive for objectivity in all professional and business judgements. Objectivity is the state of mind, which has regard to all considerations relevant to the task in hand but no other.

c. Fundamental Principle 3 – "Competence"

LML will undertake professional work only where it has the necessary competence required to carry out that work, supplemented where necessary by appropriate assistance or consultation.

d. Fundamental Principle 4 – "Performance"

LML will carry out professional work with due skill, care, diligence and expedition and with proper regard for the technical and professional standards expected of it.

e. Fundamental Principle 5 – "Courtesy"

LML will conduct business with courtesy and consideration towards all with whom it comes into contact during the course of performing its work.

2. General Notes

LML has in place procedures to enable it to identify whether any conflicts exist and takes all reasonable steps to determine whether any conflicts are likely to arise in relation to new assignments involving both new or existing clients.

If there is no conflict of interest, LML may accept the assignment. If there is a conflict of interest, but it is capable of being addressed successfully by adoption of suitable safeguards, LML records those safeguards.

Subject to the specific provisions, particularly in Section B (below), there is, however, nothing improper in LML having two clients whose interests are in conflict. In such a case the activities of LML should be managed so as to avoid the work undertaken by LML on behalf of one client adversely affecting that done on behalf of another.

Where LML believes that a conflict can be managed, sufficient disclosure should be made to the clients or potential clients concerned, together with details of any proposed safeguards to preserve confidentiality and manage conflict.

Where a conflict cannot be managed even with safeguards, then disengagement will be necessary.

3. Conflict between the interest of LML and that of its clients

Introduction

A self-interest threat to the objectivity of LML will arise where there is or is likely to be a conflict of interest between it and clients or where confidential information received from clients could be used by it for LML's third party's benefit. (See Section B for detailed consideration of the holding of confidential information.)

After testing whether a reasonable and informed observer might perceive that the objectivity of LML is likely to be impaired LML should be able to satisfy itself and clients that any conflict can be satisfactorily managed with available safeguards.

b. Safeguards

Available safeguards include:

- disclosure of the circumstances of the conflict
- advising the client that, in the particular circumstances, he may wish to change contractor
- obtaining the informed consent of the client to act
- establishing information barriers
- disengagement

Safeguarding confidential information and conflicts between the interests of two or more clients

1. Introduction

A number of concerns are referred to in this section, all arising out of the obligation on LML to safeguard information received by it in confidence. This section, therefore, principally addresses the handling of confidential information.

2. General Principles

a. The nature of confidential information

Whether information is confidential or not will depend on its nature. A safe and proper approach for LML to adopt is to assume that all unpublished information about a client's affairs, however gained, is confidential. LML should recognise that some clients may regard the mere fact of their having a relationship with LML as being confidential. LML should bear in mind that the duty of confidentiality extends not only to clients, past and present, but also to third parties from or about whom information has been received in confidence.

b. The general duty to hold information in confidence

The general obligation on LML is that it should never disclose or use, outside LML, whether in its own interest or that of another party, information received by it in confidence unless it has a right or obligation to do so or it has received informed consent from the party to whom the duty of confidentiality is owed.

The duty of confidentiality is not only to keep information confidential, but also to take all reasonable steps to preserve confidentiality.

3. Concerns facing LML

Three concerns for LML arising from the possession of confidential information are:

- where confidential information would be of benefit to LML
- from the disclosure of, or failure to disclose, confidential information in accordance with legal or professional obligations from the
- from the possession of confidential information which is relevant to an engagement for, or would be beneficial to, a client

a. The concern where confidential information would be of benefit to LML.

This concern will arise where LML has itself an interest in the confidential information relative to the subject matter of professional services for an existing or potential client or in confidential information held about a third party.

b. The concern arising out of legal or professional obligations

It may be a criminal offence or civil wrong to disclose or use confidential information. It may be a criminal offence or civil wrong to fail to disclose confidential information. LML will obtain legal advice when these situations arise. LML may, however, be entitled to disclose confidential information for the purpose of defending itself.

c. The concern where confidential information is relevant to an

engagement for, or would be beneficial to, a client LML must not disclose confidential information to a client even though the information is relevant to an engagement for, or would be beneficial to, that client.

Where LML have confidential information which affects an assurance report, or other report requiring it to state its opinion, it cannot provide an opinion which it already knows, from whatever source, to be untrue.

If it is to continue the engagement, LML must resolve its conflict. In order to do so, LML are entitled to apply normal procedures and to make such enquiries as should enable it to obtain that same information but from another source. Under no circumstances, however, should there be any disclosure of confidential information outside the firm.

4. Safeguards

LML should ensure that all partners, contractors and staff are trained in, and understand:

- the importance of confidentiality
- the importance of identifying any conflicts of interest and confidentiality issues between clients, or between themselves or LML and a client, in relation to a current or prospective engagement, and
- the procedures LML has in place for the recognition and consideration of possible conflicts of interest and confidentiality issues.

When considering acceptance of a new client, or a new engagement from an existing client, LML should consider carefully whether or not the interests of that client conflict with its own interests, or with those of another client. If LML conclude that there is no such conflict of interest, it may accept the new client or engagement. If LML conclude that there is or may be a conflict of interest, it should, depending on the circumstances and the nature of the conflict, either decline to accept the new client or engagement or accept the new client or engagement only with the informed consent of the prospective client and other relevant parties, or disengage.

Where LML consider that, actually or potentially, there is a conflict of interest between clients but it is not of such a magnitude that it must decline the prospective client or engagement, it should nonetheless agree to act only if it is satisfied that adequate safeguards are available to it to counter the threat that confidential information about one of the clients may be used to that client's detriment in carrying out an engagement for the other.

In relation to preservation of confidentiality, and the perception thereof, safeguards will generally take the form of information barriers, whose principal features may include:

- ensuring that there is, and continues to be, no overlap between the teams servicing the relevant clients and that each has separate internal reporting lines
- physically separating, and restricting access to, departments providing different professional services, or creating such divisions within departments if necessary, so that confidential information about one client is not accessible by anyone providing services to another client where their interests conflict
- setting strict and carefully defined procedures for dealing with any apparent need to disseminate information beyond a barrier and for maintaining proper records where this occurs.

LML should ensure that the adequacy and effectiveness of the barriers are closely and independently monitored and that appropriate disciplinary sanctions are applied for breaches of them. The overall arrangements should regularly be reviewed by the partners.

It is for the partner of LML who erects such an information barrier to demonstrate its efficacy in keeping information confidential. It has been suggested by the courts that in some circumstances ad hoc information barriers may not be effective. LML must therefore consider the need to establish institutional information barriers against the need for them arising.

Other issues

1. Disengagement

Where the acceptance or continuance of an engagement would, even with safeguards, prejudice the interests of any of the clients involved, the engagement should not be accepted or continued, or one of the assignments should be discontinued.

Where adequate disclosure is not possible by reason of constraints of confidentiality LML should disengage from the relevant assignments.

In such circumstances disengagement should take place as speedily as possible.

2. LML defending itself

There may be some situations in which LML, for the purpose of defending itself, may disclose confidential information. In this connection it may seek legal advice and guidance from the institutes of chartered accountants.

3. Requests by public authorities for confidential information

There may arise situations where LML are asked by public authorities, regulatory bodies or others to provide information about a client. Such situations must be handled with care. In this connection it may seek legal advice and guidance from the institutes of chartered accountants.

4. Partner leaving LML

When a partner leaves LML, he/she is entitled to use in his/her new post experience gained in previous ones but he/she is not entitled to use confidential information belonging to LML whether relating to its clients or to LML business.

5. Confidentiality and privilege

'Confidentiality' is the duty to keep private another person's information given or obtained in confidence. 'Privilege', by contrast, is the right of a party to withhold information from the courts. LML may be entitled to the same degree of protection from the requirement to give up information as solicitors who are able to claim "legal professional privilege". This is a difficult area, quite different from confidentiality, and legal advice should always be taken.

6. Legal advice and assistance

Where LML is in doubt as to whether it has a right or obligation to disclose, it should initially discuss the matter fully within LML. If that is not appropriate, or if that fails to resolve the problem, it may consider taking legal advice and/or consult the institutes of chartered accountants.



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