

Financial Reporting Council

Executive Counsel to the Financial Reporting Council and Sixonethreeone Limited (formerly known as HWCA Limited)

Settlement Agreement

1. This Settlement Agreement ("Agreement") is made on the 9th day of April 2014 between Gareth Rees QC as Executive Counsel of the Financial Reporting Council ("FRC"), of Aldwych House, 71-91 Aldwych, London WC2B 4HN ("Executive Counsel") of the first part, and Sixonethreeone Limited ("6131") of the second part. Executive Counsel and 6131 together are described as "the Parties".
2. The Agreement is evidenced by the signatures of Executive Counsel on his own behalf and by Geoffrey Fairclough, sole director of 6131, on behalf of 6131.
3. Executive Counsel has delivered the annexed Formal Complaint dated 31st May 2013 against 6131 and Paul Newsham in connection with 6131's conduct of the audit of the financial statements of Worthington Nicholls Group plc and its predecessor business in respect of the financial years ended 30 September 2005 and 2006 and the interim financial statements for the six months ended 31 March 2006 (allegations 8 – 51 of the Formal Complaint) and Paul Newsham's conduct of the audit of the financial statements of Worthington Nicholls Group plc and its predecessor business in respect of the financial years ended 30 September 2004, 2005 and 2006 and the interim

financial statements for the six months ended 31 March 2006 (allegations 1 – 51 of the Formal Complaint).

4. The parties have agreed terms of settlement with respect to the Formal Complaint against 6131.
5. 6131 admits 37 of the 44 allegations against it. These are allegations 8 to 14, 16 to 21, 23 to 33, 35 to 37, 41 to 50 inclusive of the Formal Complaint. Executive Counsel withdraws allegations 15, 22, 34, 38, 39, 40 and 51.
6. The Parties recognise that the determination to be made in this case is a matter for the Disciplinary Tribunal ("the Tribunal") in accordance with paragraph 8(5) of the FRC Accountancy Scheme ("the Scheme"). The Parties have agreed the following terms of settlement:
 - (a) A Fine of £225,000 to be paid by 6131, adjusted from £250,000 to reflect the admissions made by 6131 (in accordance with paragraphs 57 and 59 of the FRC's Sanctions Guidance). 40% of such Fine shall be paid not later than 60 days after the date when the Agreement takes effect, 30% of such Fine shall be paid not later than 180 days after the date when the Agreement takes effect and the remaining 30% of such Fine shall be paid not later than 360 days after the date when the Agreement takes effect ;
 - (b) 6131 to receive a Severe Reprimand;
 - (c) A sum of £225,000 to be paid by 6131 as a contribution to the Executive Counsel's costs of, and incidental to, the investigation and the Formal Complaint. 40% of such costs shall be paid not later than 60 days after the date when the Agreement takes effect, 30% of such costs shall be paid not later than 180 days after the date when the Agreement takes effect and the remaining 30% of such costs shall be paid not later than 360 days after the date when the Agreement takes effect.

7. The above sanctions were agreed taking into account the following key factors in accordance with the FRC's Sanctions Guidance:

Assessment of potential sanctions

- (a) The Misconduct caused or risked the loss of significant sums of money by investors in the Worthington Nicholls Group.
- (b) The Misconduct was significant, given the nature, extent and importance of the standards breached.
- (c) The Misconduct adversely affected, or potentially adversely affected, a significant number of people in the United Kingdom.
- (d) The Misconduct could undermine confidence in the standards of conduct in general of Members and Members Firms and financial reporting.
- (e) The lack of effectiveness of 6131's relevant procedures, systems or internal controls and/or its implementation of ISQC 1 (or its equivalent).

Determining the amount of the Fine

- (f) 6131 became subject to a Creditors Voluntary Arrangement in March 2010. The most recent report as to its financial position is that set out in the Supervisor's Report to Creditors dated 15 May 2013.
- (g) Under sub-paragraphs 13 (1)(ii) (b) and (c) of the Scheme, where a Tribunal makes an order for the payment of a fine and/or costs against a Member Firm then in addition to such monies being due from the Member Firm concerned, such monies:-

"(b) shall be jointly and severally due from, and shall be paid by, those Members who were partners in, members of, directors of or the proprietor of such Member Firm during any part of the time relevant to the Adverse Finding or thereafter, whether or not they were Members or it was a Member Firm during any part of that time; and/or"

(c) shall be jointly and severally due from, and shall be paid by, any Successor Member Firm and/or those Members who were partners in, members of, directors of, or the proprietor of such

entity during any part of the time relevant to the Adverse Finding or thereafter, whether or not they were Members or it was a Successor Member Firm during any part of that time;”

In relation to sub-paragraph 13 (1) (ii) (c), the Parties agree that Haines Watts (Lancashire) LLP, Haines Watts Preston Limited, Haines Watts Central London LLP, Macintyre Hudson LLP, Haines Watts Exeter LLP, Haines Watts Kent LLP, Blue Spire South LLP, CW Fellowes Limited, Wilkins Kennedy LLP, Haines Watts Wales LLP and HW Leicester LLP are Successor Member Firms in accordance with the definition at paragraph 2(1) of the Scheme: *“any Firm that acquires, directly or indirectly, control of all or part of a Member Firm or Former Member Firm or the practice of a Member Firm or Former Member Firm.”* and are therefore jointly and severally liable in accordance with the terms of sub-paragraph 13 (1) (ii) (c).

In relation to sub-paragraph 13 (1) (ii) (b), 6131 has annexed to the Agreement a list of those Members who, as former directors of 6131, are jointly and severally liable in accordance with the terms of sub-paragraph 13 (1) (ii) (b).

- (h) 6131 does not have any arrangements in place that would result in part or all of any Fine being paid or indemnified by insurers.

Aggravating Factors

- (i) 6131 failed to bring the Misconduct to the attention of the FRC (or the ICAEW) quickly, effectively or completely.
- (j) The Misconduct was repeated and occurred over an extended period of time.

Mitigating Factors

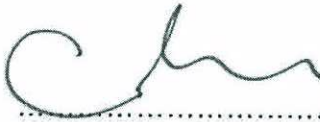
- (k) 6131 cooperated during the investigation of the Misconduct by the FRC.
- (l) In December 2013, the Haines Watts Group published internally (within the Haines Watts Group only) a procedural guide summarising its internal quality control, as required by ISQC 1, stating (amongst other matters) that it was agreed and confirmed at the Haines Watts Limited Board meeting in July

2013, that with immediate effect no new listed/Aim/Plus Market audit appointment will be ratified by the Haines Watts Limited Board;

(m) 6131 has a good compliance history and disciplinary record.

8. If the Tribunal's decision is to approve the Agreement, including the sanctions and costs set out at paragraph 6 above, then the Agreement shall take effect from the next working day after the date on which notice of the decision is given to 6131 in accordance with paragraph 8(5) of the Scheme.

9. The Agreement and annexes will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.



Gareth Rees QC
Executive Counsel



Geoffrey Fairclough
on behalf of 6131



Date



Date

Annex – Members who are former directors of 6131

Alan Cunningham
Alan Quantick
Andy Minifie
Ben de Cruz
Charles Homan
Charles Hunt
Clive Edwards
David Brookes
David Fort
David Green
Duncan Barnes
Fiona Cresswell
Frances James
Geoffrey Fairclough
Gordon Beer
James Ragg
Julie Pomfret
Justin Crowley
Kevin Cuddy
Laura Goodwin
Manish Patel
Martyn Griffiths
Martin Harries
Matthew Bracher
Michael Middleton
Nigel Williams
Paul Newsham
Peter Sutton
Ravi Jain
Rob Brown
Sanjay Khullar
Sean McLernon
Stephen Lucey
Stephen Scurr
Tony Brand
Yogan Patel
Zara Hogg