



Scot & Company Consulting s.r.l.

Transparency Report March 2010

Making your business count !

Content:

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1. Partnership Details

SCOT is based in Bucharest and was founded in 1994. SCOT has been a member of the Romanian Association of Chartered Accountants since 1994, of the Romanian Chamber of Financial Auditors since 2001 [no.322/31.05.2001] and of the Chamber of Tax Consultants since 2007.

The Company was incorporated as a limited liability company in Romania and has 7 partners who are also administrators. Six of these are financial auditors. The Company's share capital is of 112.000 lei



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2. Network Description

In 2008, SCOT became a correspondent Firm to RMS International, a network of independent auditing and consulting firms, one of the most significant players on the global professional service market.

RSM International was formed in 1964, adopting its current name worldwide on 1 January 1993. In 2009, RSM International was ranked as the 6th largest network of independent accounting and consulting firms worldwide.

RSM International is represented by over 30.000 professionals in 705 offices located in over 70 countries around the world.



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3. Firm's Management

The operational management of the Company is provided by the 7 partners which are also the Company's administrators. The Company is structured in 3 Departments: Tax, Accounting and Audit.

The 7 partners have the overall professional responsibility as follows:

- ✓ Dan Schwartz – Managing Partner – has professional responsibilities in Tax and Audit Department

Tax Department

- ✓ Doina Georgescu – Tax Partner
- ✓ Oana Constantin – Tax Partner

Accounting Department

- ✓ Otilia Schwartz – Senior Partner – Accounting Services
- ✓ Florentina Grigore – Partner Accounting Services
- ✓ Mariana Papadopol – Partner Accounting Services
- ✓ Corina Badeci – Partner Accounting Service

Audit Department

- ✓ Dan Schwartz – Audit Partner



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4. Internal Quality Assurance and Risk Containment Policies and Procedures

SCOT & Company Consulting SRL (“SCOT”) considers quality to be an essential component of its reputation and a prerequisite for its constant growth. In short, quality is required in everything that SCOT’s professionals do.

SCOT is therefore required to establish and maintain a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements for all professional services provided by the Firm.

The firm’s system of quality control is presented in SCOT’s Quality Control Manual which details the policies and the procedures necessary for the performance of the quality control activity.

This is based on International Standard on Quality (ISOQ) 1 and all pronouncements of IFAC and Romanian Chamber of Auditors, including IFAC Code of Ethics.



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Quality assurance Policies and procedures are communicated within the Firm through Scot Manuals and during the bi-annual internal training sessions.

The Managing Partner has the ultimate responsibility for the maintenance, implementation and communication of the firm's Quality Assurance and Risk Containment Policies and Procedures. This is also responsible for the Ethics and Independence within the Firm.

In the Audit Department, the engagement quality control review is performed by an independent quality control reviewer, who is independent to the Company and who provides the Company with quality review reports.

The Quality Control Procedures include procedures for:

- ✓ Client Acceptance
- ✓ Annual Client Re-evaluation
- ✓ Engagement Letter and Risk Assessment
- ✓ Audit planning
- ✓ Engagement performance and documentation
- ✓ Audit files completion, retention period and working papers custody
- ✓ Supervision and Review



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Management Representation

SCOT's management considers that the internal quality control procedures comply with the Quality Standards imposed by the professional bodies of which the Firm is part of, as well as with the IFAC Code of Ethics.

Tacking into account the internal control system, the management considers the internal quality control procedures to be satisfactory.



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5. Date of last independent Quality Inspection

The most recently, the Romanian Chamber of Financial Auditors inspected the Firm in January , 2008.

The Firm obtained mark “A” [96% compliance with RCFA norms].

In July 2009, RSM International representatives have also reviewed the audit quality control procedures used by the Company.

The last review of the internal Quality Control System in the Audit Department was performed during August-September 2009 by the independent reviewer. The review’s results have been presented to the Firm’s management in a report, dated October 12, 2009.

During January 1 – July 31, 2010, the independent reviewer performs the quality control review on the audit files for 2009.



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6. Firm's Independence Policies

SCOT, their partners and professional staff must comply with the SCOT's Ethics and Independence Policies, which incorporate the IFAC Code of Ethics for Professional Accountants.

SCOT communicates its ethics and independence policies and procedures to its employees during new employee orientation and in on-going training and CPD programs for all partners and employees.

SCOT maintains a list of clients with whom all SCOT staff must maintain independence. The list is constantly updated. In case that SCOT's Clients agree, their name is posted on the Firm's web site.

Each partner and employee should complete an annual *Independence Compliance Questionnaire* confirming that they:

- have read and understood the SCOT's ethics and independence policies and any updates thereto, and
- are and have been for the past year in compliance with those policies, noting any exceptions.



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The engagement or lead assignment partner should ensure that the SCOT's independence is established before a client is accepted.

In case that a member of the audit team became aware of any circumstances or relationship which could create a threat to independence, she or he has to notify the Audit Partner.

IFAC Code of Ethics is subject of all annual training sessions. IFAC Code of Ethics was completely presented by Dan Schwartz, Managing Partner, who gave a presentation of it to all SCOT's partners and staff during the December 2009 training session.

The Firm's management confirms that the Firm's Independence policies are strictly observed and continuously reviewed.



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7. Training and Continuing Professional Development

All partners and professionals must comply with both SCOT professional training policies as well as the local regulations. All SCOT professionals should attend annually 2 internal training sessions, as follows:

- Summer training – 3 days between either July 15 –31, or August 1 – 15,
- Annual training – 5 days between November 1 – 15.

All lecturers are either partners and managers with SCOT or Independent trainers who are renowned for their professional activity.

The attendance to SCOT internal trainings is compulsory for all partners and professional staff.

The training curriculum clearly sets out, for each training session, objectives like:

- Independence Policies
- Quality Control Review procedures and policies
- Professional Standards



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All financial auditors attend the continuous education programs organized by the Romanian Chamber of Financial Auditors and other professional bodies, and also RSM International trainings.

All audit personnel, regardless of their professional level, are continuously trained on the job during the audit engagements.

All personnel in the Audit Department are guided to access ACCA qualification.

SCOT holds a library of professional books which is constantly enriched and updated.



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8. Financial Information

Scot & Company Consulting SRL prepared financial statements for the year ended December 31, 2009.

The turnover for the year ended December 31, 2009 was lei 6.462.683, and consist of:

Accounting services	3.987.520 lei
Business Advisory, Fiscal Consultancy and Tax-Compliance services	1.268.983 lei
Audit and non-audit assurance services	1.206.180 lei



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9. Partners remuneration Policies

All SCOT partners are equity partners, which means that they have full rights and obligations in accordance with the Companies' Law 31/1990 provisions.

At the same time, all SCOT's partners are the Firm's administrators.

The partners have the right, in accordance with the law, to earn incomes as: wages, administration fees, dividends. The partner's remuneration is based on hourly fees, number of chargeable hours, the financial results of the Department in which they activate and the Firm's general financial results.



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10. List of Public Interest Clients for which statutory audits have been performed

SCOT's Public Interest Clients in 2009 were:

- Impact Developer & Contractor S.A.
- Compania Hoteliera Intercontinental Romania S.A.



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