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Dear Ms O'Sullivan

Consultation on Non-Audit Services

I write as Chairman of the Audit Committee of Helical Bar Plc in response to your consultation paper dated 6th October 2009. We are one of the relatively few FTSE 350 companies whose auditors are not one the "Big Four" firms of accountants.

My general approach, supported by my colleagues, is that Audit Committees should retain the responsibility for ensuring that the supply of non-audit services does not prejudice the independence of auditors. In discharging this responsibility Audit Committees get valuable assistance from the FRC Guidance on Audit Committees and from the APB's Ethical Guidance for Auditors (ES5); we agree with the approach taken by both these publications. The Combined Code stresses the duty of Audit Committees to monitor the independence of auditors and we take this duty seriously; it is very much in our interests to do so. By contrast we think the Treasury Select Committee's recommendation to prohibit auditors providing non-audit services to their clients would lead to inefficiencies and extra costs.

You ask for views on five issues.

1. We have had no experience of complaints by stakeholders that the provision of non-audit services - admittedly fairly limited in our case - impacts their confidence in the independence of our auditors. Nor has the provision of such services by our auditors affected (or may have affected) audit quality. Indeed the review of internal controls and the PSP (long term incentive scheme) calculation referred to in the Administrative Expenses note to Helical's latest accounts have both served to increase the Board's confidence in the audited figures.

2. As stated above we do not consider that the provision of non-audit services has prejudiced audit quality in Helical's case. We can see however that there is such a risk with certain types of service and would be likely to follow the principles in ES5 in deciding whether to approve any of the services discussed there.

3. In the light of the above, as well as the general views expressed in my opening section, we do not see a need for a change in the approach taken by the APB in this matter. It is important that the approach retains flexibility for audit committees to decide on the merits of each situation. They must then be ready to justify those decisions to stakeholders as consistent with maintaining auditor independence.

4. We acknowledge that if audit committees are to be responsible to stakeholders in this area, the latter need sufficient information to enable them to ask for explanations where necessary. We believe that the new requirements to set out non-audit fees by category of service should achieve this and would be reluctant to add to the vast amount of detail that companies are now required to disclose. The sheer quantum of disclosure runs the risk of becoming self defeating. Nevertheless we suggest consideration be given to disclosing non-audit fees paid to providers *other* than the client's auditor in order that readers can see the proportion of non-audit fees paid to the latter.

5. The three non-audit services listed in Helical's latest accounts were an internal controls review, a financial accounts review and a review of the Company's Share Scheme, the Performance Share Plan ("PSP"). The internal controls review and PSP review were undertaken by individuals with prior knowledge of Helical, gained from audit experience and, as a consequence, we believe the costs of these reviews were less than would be the case had they been undertaken by a non-audit firm. In addition, we believe that the knowledge gained from the internal controls review provided our auditors with a greater in depth knowledge of our systems and should assist the auditors to provide a more efficient, effective and less expensive audit service in the future. The financial accounts review specifically dealt with standard enquiries raised by the Financial Review Reporting Panel on our 2008 Report and Accounts and it is difficult to see how an external firm could have advised on these issues without the Company incurring a significant level of costs. A blanket ban on non-audit services by auditors would have significantly increased the costs of these reviews without any obvious benefit to the Company or Shareholders.

On the other hand Helical has for a number of years obtained tax planning advice from a firm which is not its auditor. Apart from a brief familiarisation process the costs of separation in terms of either fees or inefficiencies is not thought to be material.

I hope the foregoing is helpful. Please let me know if I can be of any further assistance.

Yours sincerely

Antony Beevor
Audit Committee Chairman

