

TRANSPARENCY STATEMENT FOR THE 52 WEEKS ENDED 2 JULY 2010

1 Introduction

Consequent to the adoption of the EU's 8th Directive on transparency reporting, the Professional Oversight Board published the Statutory Auditors (Transparency) Instrument 2008 in April 2008. These regulations require auditors of public interest entities to publish on their websites annual transparency reports and set out minimum requirements that such reports must meet, including information about themselves, systems of quality control and independence procedures and practices.

The following pages set out how we have addressed those areas covered by the Statutory Instrument. We welcome the opportunity to provide information that is intended to assist in better understanding how we operate and we consider that we meet the spirit as well as the letter of those requirements. We also believe that, by demonstrating the strength and quality of our audit processes and practices, this will contribute to a high level of confidence and trust both with our stakeholders and the wider business community.

We are pleased to note the Audit Firm Governance Code ('the code') was published in January 2010 to apply to financial years beginning on or after 1 June 2010. We have reviewed the code in detail and are already largely compliant with the code, principally as a result of having appointed two independent non executives in 2008. We have identified the changes that are required to our detailed structures and governance procedures to enable us to confirm formal compliance in the 2011 transparency statement and these will be implemented with effect from 1 October 2010. The key changes are that our Senior Partner role will become a non executive position and one of the independent non-executives will chair Leadership Team meetings and the other non-executive will chair a new Risk Committee that has a remit to evaluate risk on behalf of the Leadership Team.

Approved by Leadership Team on 22 September 2010

BDO LLP

2 Legal structure and ownership

BDO LLP ('the LLP' or 'the firm') is a limited liability partnership, incorporated in the UK and is owned by its members (who are often referred to as 'partners'). At 2 July 2010 there were 202 members.

In October 2009 the firm changed its legal name from BDO Stoy Hayward LLP to BDO LLP.

The BDO Belfast firm is a separate partnership which operates under a licence agreement.

Business structure

Our UK business operates from 14 offices nationwide. The firm also operates a branch in the Isle of Man. Our business is structured along both geographical and service lines, our principal services being Audit, Advisory (comprising Corporate Finance, Business Restructuring and Forensic Accounting), Tax and Investment Management. These business streams have dedicated teams of partners and professional staff nationwide tailoring high quality business solutions for their clients.

The firm has a controlling interest in its wholly owned subsidiary, BDO Corporate Finance (Middle East) LLP, registered in the Dubai International Financial Centre and authorised and regulated by the Dubai Financial Services Authority. BDO Corporate Finance (Middle East) LLP provides corporate finance advice and other specialist advisory services.

Details of the firm's other investments are given in the firm's annual report which can be found at <http://www.bdo.uk.com/library/annual-review>

3 Network

BDO LLP is a member firm of BDO International.

Description of the network

The BDO network is an international network of public accounting firms, the BDO Member Firms, which perform professional services under the name and style of BDO. BDO is the brand name for the BDO network and all BDO Member Firms. 'BDO' and 'BDO International' are trademarks of Stichting BDO. Stichting BDO is a Dutch Foundation whose registered office is in Eindhoven. The objects of the foundation are:

- to promote high standards of auditing, accountancy, financial, fiscal and business advice throughout the world by the use of the business name 'BDO' and the development of the BDO network
- to own and protect any and all rights to the name BDO its accompanying logos and styles and any other intellectual property and rights and
- to grant licenses to use the BDO name.

Legal and structural arrangements in the network

Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one per country) or a non-voting member.

The BDO network is governed by the Council, the Policy Board and the Executive (or Global Leadership Team) of BDO International Limited.

The Council comprises one representative from each voting member of BDO International Limited. The Council approves budgets, appoints the Policy Board and approves any changes in the Articles and Regulations of BDO International Limited. The council meets annually.

The Policy Board, which is the Board of Directors of BDO International Limited, currently comprises a representative of the network's five largest member firms, whose appointment, each for a three year term, is approved by the Council. The Policy Board sets policies and priorities for the network and oversees the work of the Global Leadership Team. The Policy Board meets at least four times a year and more if required.

The Global Leadership Team is tasked with coordinating the activities of the network on a day-to-day basis. It is headed by the CEO and comprises the Global Heads of Audit & Accounting, Tax, People, Client Service, Network Development and the International Secretary. The Global Leadership Team meets monthly.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a Belgian limited liability company with its seat in Brussels. BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO Member Firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the BDO Member Firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide services BVBA and/or the BDO Member Firms.

The global aggregated turnover for BDO Member Firms (including their exclusive Alliances) in 110 countries for the year ended 30 September 2009 was in excess of €3.7billion¹. Partner and staff numbers at 30 September 2009 were some 46,035 in more than 1,100 offices.

Each BDO Member Firm is an independent legal entity and profits are not shared between member firms. All BDO Member Firm client engagements - whether for domestic work, referred work from other firms in the network, or international work sourced from non-BDO sources - are conducted in the name of the local BDO Member Firm.

Membership of the network confers certain rights on BDO Member Firms, as well as certain obligations. Rights include the use of the BDO brand, including the network name and logo, the ability to refer work to and from other BDO Member Firms and a wide range of resources. Obligations include the capability to offer the minimum core services, including accounting and auditing, taxation and specialist advisory services, and a high standard of professionalism and ethics.

An International Liaison Partner in each member firm facilitates international referrals and the smooth running of projects and relationships to ensure clients receive an integrated service. At a national level, Country Co-ordinating Partners provide in-depth knowledge of the people and issues in individual countries.

4 Governance structure of the UK firm

The Audit stream is an integrated part of the firm and is subject to the same governance structure as all other business streams as follows:

Leadership Team and Senior Partner

The Partners elect a Managing Partner and Senior Partner to hold office for a term of four years commencing from 1 October in the year in which they are elected.

The Managing Partner and Senior Partner are not eligible for election for more than two consecutive terms in such office but there is no limit to the number of terms that a Partner may serve on the Leadership Team other than as Senior Partner or Managing Partner.

¹ Amended on 26 October 2010 from €3.7million due to typographical error

The Managing Partner appoints the Leadership Team. The Leadership Team is approved by the Partnership Council.

The Leadership Team at 2 July 2010 comprised the following members:-

- Dermot Mathias - Senior Partner
Dermot chairs the Leadership Team and the Partnership Council and has overall responsibility for internal governance matters. He represents the firm on the Policy Board of BDO International and manages a number of key client relationships.
- Simon Michaels - Managing Partner
Simon has overall responsibility for the setting and delivery of the firm's strategy and ensuring that we build our reputation in the market and with clients.
- Mark Sherfield - Chief Operating Officer
Mark is Chief Finance Officer of the firm and since joined the Leadership Team in January 2010, at which date he was also appointed as the Chief Operating Officer.
- Jeff Jones - Head of Regions
Jeff is responsible for all the regional offices outside of London. He is a business restructuring partner based in the Manchester office.
- Gervase Macgregor - Head of Advisory
Gervase is responsible for the Advisory Stream which comprises business restructuring, corporate finance and forensic services. He is a forensic services partner based in the London office.
- Paul Eagland - Head of Audit and Tax
Paul is responsible for the Audit stream and the Tax stream. He is a tax partner based in the London office.

In addition, Carl Williams and Sophie Hill served on the Leadership Team during the year as the Chief Operating Officer/Clients and Markets and Head of South respectively.

The Leadership Team provides strategic and operational leadership to the firm. It met at least once per month during the period under review.

The Leadership Team sets and implements strategy with a high degree of emphasis on the firm's services to its clients. The Managing Partner maintains an ongoing dialogue with the wider firm through regular business updates on strategy and development to all partners and employees (including a formal quarterly update on the performance of the business) as well as periodic engagement sessions, giving individuals at all levels the opportunity to raise questions and issues directly with the Managing Partner.

Independent Non-Executives

The firm has two Non-Executive Directors ('NEDs'), Lord David Currie and Lesley MacDonagh who served throughout the year.

Lord David Currie has a distinctive mix of senior experience in business, academia and the regulatory world. He is an experienced NED and had a distinguished academic career, latterly as Dean of Cass Business School. As the founding Chairman of OFCOM (stepping down in 2009) and a cross-bench member of the House of Lords, David is well respected by all political parties and across business. In addition to his BDO role, he is Chairman of Semperian PPP Investment Partners, and a board member of IG Group, the Dubai Financial Services Authority and the London Philharmonic Orchestra.

Lesley MacDonagh is a solicitor who has practiced in the City for over 25 years. She was the world wide Managing Partner of Lovells (now Hogan Lovells) for 11 years, during which time

the firm became the sixth largest in the world and expanded to 27 locations. Lesley sat on the Council of The Law Society for eight years, as a representative of the City of London, and became a member of the Audit Committee. Lesley was also a Court Member of the Solicitors Company. Lesley has been a director of a FTSE 100 and a FTSE250 company (Segro and Bovis Homes) and she currently has a role akin to a non-executive director at both the international law firm, Ogier, and the City of London firm, Speechly Bircham.

The NEDs were appointed on 5 July 2008 for a term of one year unless or until terminated by either the Non-Executive Director themselves or by BDO LLP.

The NEDs attend all Leadership Team meetings. Lord David Currie also attends RMC meetings.

The NEDs perform duties as set out in their letter of appointment; in particular they provide input into the strategy of the firm and apply their independent judgement to matters of particular concern to the firm.

The NEDs are required to comply with the firm's policies and procedures applicable to the firm's employees and partners. Where occasions arise that the NEDs consider they need to obtain independent professional advice, the firm will fully reimburse the cost of obtaining such advice.

Partnership Council

The Partnership Council meets once a month, chaired by the Senior Partner, to consider matters such as partner equity issues, profit sharing and new admissions to and exits from the partnership. Its composition is designed to ensure appropriate representation of partners both by SBU and business stream. It consists of 12 elected partners together with the Senior Partner, Managing Partner and another representative from the Leadership Team may attend by invitation of the Managing Partner. Only the elected partners have voting rights. Elected partners are elected for a four year term, with a maximum of two consecutive terms. Partners can be re-elected after a break of two years.

The Partnership Council at 2 July 2010 comprised the following members:-

<u>Name</u>	<u>Title</u>
Dermot Mathias ¹	Senior Partner
Simon Michaels	Managing Partner
Simon Bevan ¹	Audit Partner (Senior Partner Designate)
Mark Bomer	Corporate Finance Partner
Stuart Bosley	Audit Partner
Roger Buckley	Corporate Finance Partner
Graham Clayworth ¹	Audit Partner
Russell Field	Audit Partner
Angela Foyle	Tax Partner
Chris Grove	Corporate Finance Partner
Gary Hanson ¹	Audit Partner
Terry Jones	Tax Partner
Dermot Power	Business Recovery Partner
Matthew White ¹	Audit Partner

¹ - These members form the firm's Audit Committee

The additional Leadership Team representative is Paul Eagland - Head of Audit and Tax.

Audit Committee

The Audit Committee comprises five members of the Partnership Council. Members of the Audit Committee are appointed by the Partnership Council and each member has skills and

experience appropriate to the Partnership's business. Their term of office coincides with their time on the Partnership Council.

The Audit Committee at 2 July 2010 comprised the following members:-

<u>Name</u>	<u>Title</u>
Dermot Mathias	Senior Partner
Simon Bevan	Chair of Audit Committee
Graham Clayworth	Audit Partner
Gary Hanson	Audit Partner
Matthew White	Audit Partner

The Audit Committee meets with the external auditors and management to provide a forum for the external auditors' reporting. It met twice during the last financial year. Each year it seeks reassurance from the external auditors of their independence and objectivity. It assesses and monitors their independence in line with the ICAEW publication Reviewing auditor independence: guidance for Audit Committees.

It reviews and monitors the integrity of the firm's financial statements, including key judgements made by management, before they are submitted to the partnership. It considers the effectiveness of the internal controls maintained and monitored by management as well as reviewing management's prioritisation of key operational risks.

Risk Management Committee

The Leadership Team has delegated responsibility for the design and implementation of risk management procedures to the Risk Management Committee ('RMC'). The RMC meets bi-monthly and is chaired by the Head of Risk Management. It is made up of appointed individuals including the Managing Partner, one of the firm's non-executive directors, the Heads of Streams, General Counsel and the Director responsible for dealing with professional claims and complaints.

The RMC at 2 July 2010 comprised the following members:-

<u>Name</u>	<u>Title</u>
Martin Kaye	Chair of Risk Management Committee
Shay Bannon	Head of Business Recovery
Andrew Ware	Head of Corporate Finance
Paul Eagland	Head of Audit and Tax
Gervase MacGregor	Head of Advisory
Simon Michaels	Managing Partner
James Roberts	Audit Partner
Richard Spilg	Head of Investment Management
Chris Clarke	Director responsible for dealing with professional claims and complaints
Adam Culy	General Counsel
Clive Weeks	Director responsible for Professional Indemnity Insurance matters
Lord David Currie	Non-executive Director

The committee has particular responsibility to ensure that the quality, objectivity and independence of client service are maintained through well managed client acceptance and engagement procedures. Guidance is published on the conduct of all professional services and updated regularly. Rigorous processes are in place to identify and resolve conflicts of interest.

Partner Group Meetings

Certain matters are specifically reserved for decision by all partners. The partner group meets at least once per year and the most recent partner group meeting took place in July 2010.

5 Risk management and internal control

The firm recognises that risk is an inherent part of conducting business and that managing this risk is a critical element of its operations.

The Leadership Team has overall responsibility for the firm's system of internal control and for reviewing its effectiveness. Senior management is responsible for the day to day implementation and monitoring of this system, incorporating financial, operational and compliance controls and risk management systems. This internal control system is, however, designed to manage the risk of failure rather than eliminate it entirely: it provides reasonable, but not absolute, assurance against any material misstatement or loss.

Where any control failings or weaknesses are identified, the firm takes appropriate action to remedy the situation.

6 Internal quality control system

The firm's system of internal quality control is designed to provide reasonable assurance that the firm, its partners and staff comply with professional standards and regulatory and legal requirements, work is performed to a consistently high standard and that reports issued by the firm are appropriate. The firm considers that such systems are compliant with all mandatory standards, such as the IAASB's International Standard on Quality Control 1, and best practice frameworks including the FRC's Audit Quality Framework.

The firm's system of internal quality control can be split into the following elements:

- leadership responsibilities for quality within the firm
- ethical requirements
- acceptance and continuance of client relationships and specific engagements
- human resources
- engagement performance
- monitoring

a. Leadership responsibilities for quality within the firm

Quality control is dependent upon an organisational structure which is inherently sound and which clearly defines the responsibilities of the various levels of management.

The Leadership Team and the whole firm are committed to quality work, the public interest and professional judgement and values.

The firm has clearly established responsibilities for the Managing Partner, the Senior Partner and other senior personnel. The Managing Partner and the Senior Partner are members of the firm's Leadership Team which devises and implements the firm's business strategy and manages operational issues.

Along with the firm's management, the Head of Risk Management reinforces the appropriate 'tone at the top' by instilling professional and ethical values in the firm. The Audit stream 'tone at the top' is set by the Head of Audit and the firm's Audit Compliance Partner.

The firm's Audit Stream Executive ('ASE') has a leadership role within the Audit stream in executing best practice, consistency in approach and in communicating priorities and agreed projects, initiatives and targets for the stream. The ASE, headed by the Head of Audit, comprises audit partners and other relevant staff from across the firm's offices.

The national Audit stream is supported by the Technical Standards Group ('TSG') and the Risk Management Unit ('RMU').

TSG, headed by the Head of Audit, is inter alia responsible for the following:

- developing audit methodology and guidance to ensure compliance with auditing standards
- maintaining the firm's technical manuals and communicating developments to the firm's partners and staff
- helping maintain the firm's audit practice to the highest standards prevailing in the profession, including the supervision of the firm's audit work
- consulting with local office partners and other professionals seeking technical advice and
- overseeing the firm's technical continuing professional education programmes.

TSG and RMU assist the Audit Compliance Partner, who inter alia is responsible for the following:

- monitoring of independence
- monitoring the firm's audit work
- coordinating the professional performance of the offices and achieving in each of them standards that measure up to the firm's professional objectives and
- evaluating the firm's quality controls policies and procedures.

b. Ethical requirements

The firm's electronic Conduct of Professional Standards Manual and Audit Manual contain the principles and rules relating to ethical conduct. These are supplemented by Helpsheets and complemented by a comprehensive training programme designed to ensure compliance with both International and UK Ethical Standards. The ethical conduct guidance is available to all staff on the firm's intranet. Annual declarations are made by all partners and staff to monitor compliance with relevant ethical requirements. The firm's Ethics Partner is responsible for providing guidance and support on the application of ethical standards to ensure that our professional objectivity and independence is maintained.

c. Acceptance and continuance of client relationships and specific engagements

Robust client and engagement acceptance procedures play a pivotal role in the firm's ability to deliver a professional and quality service.

Prior to the acceptance of any new client, certain procedures to assess the risks associated with that client must be carried out. These will include:

- consideration of the client's business including its geographical spread and the industry it operates in
- evaluation of information concerning the client, its management and its owners including obtaining evidence of the identity of the owners and officers of the business
- considering information regarding the character and reputation of the prospective client and key personnel
- assessment of potential independence risks and potential conflicts of interest
- inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment
- assessment of our ability to serve the prospective client and
- reviewing filings of the company, including prior year financial statements.

The acceptance of all clients requires an approval process that is appropriate to the perceived risk. 'High risk' audit clients require pre-approval by designated senior partners within the business stream and in certain circumstances by the Head of Risk Management.

d. Human resources

Human resources are a critical factor in our ability to provide professional services. In order to ensure that the firm has sufficient staff with the capabilities, competence, and ethical standards necessary to provide quality audits in accordance with professional and legal

requirements we have established clear policies and procedures addressing the following areas:

- recruitment
- performance evaluation
- capabilities and competence
- career development and progression
- forecasting of staff requirements.

Recruitment

Policies and procedures for recruitment are designed to provide reasonable assurance that those employed possess the appropriate characteristics to enable them to deliver a high quality service and perform their duties with professional competence.

We work actively to ensure that diversity is embedded within the firm's culture, not just in principle but in practice. Inclusivity within the organisation, whether it is based on age, gender, ethnicity or physical capabilities, strengthens the firm's values, makes the firm more representative and more capable of providing a quality professional service.

We seek people with high levels of intelligence, stability, maturity, integrity, motivation, aptitude and leadership qualities appropriate to the role for which they are being hired.

Management regularly reviews these policies and procedures to ensure that they are appropriate and are operating effectively.

Performance evaluation

All staff members are subject to formal performance appraisal, review and counselling on a regular basis, in order to evaluate the level of competence, monitor training and to help them reach their full potential. Performance appraisal includes a review of each individual's contribution to the quality of service(s) provided by the firm and the quality of their work.

Evaluations are completed on an assignment-by-assignment basis at certain levels and also at six month intervals at all levels. The factors evaluated (which may vary by level) include professional and technical competence, leadership, management, analytical and judgement skills.

Capabilities and competence

Policies and procedures for assigning staff to engagements are designed such that only those persons having adequate technical proficiency and competence will perform the work, taking into account its size, nature and complexity. A current profile of staff's technical proficiency is obtained by personal knowledge and by reviewing evaluation forms from previous engagements.

Career development and progression

Staff career development is addressed on both a national and regional basis. Generally there is staff progression from a trainee level to senior manager before a candidate will be considered for admission to partnership. Staff are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

Non-compliance with the firm's policies and professional standards is also recognised. Lack of compliance is reflected through additional training, delays in promotion or through dismissal for serious instances of non-compliance.

Forecasting of staff requirements

We recognise that ultimately it is the ability and commitment of the partners and staff that really makes a difference and enables us to deliver a quality audit. Given this, our ability to attract the right number of high quality people is of utmost importance. We predict our requirements so as to continue to service the firm's clients and provide sufficient capacity to enable our partners and staff to develop the business.

e. Engagement performance in the Audit stream

Common approach

Our policies and procedures are designed to ensure that audits meet all applicable professional standards, regulatory requirements and that the firm issues reports that are appropriate in the circumstances. To achieve this and to ensure consistency in the approach to auditing, the firm has contributed to the development of the common BDO Audit Approach, related software tools and other standard forms of documentation. This approach is fully compliant with International Auditing Standards and these common processes are used by BDO Member Firms.

Supervision and review

We require all professional work to be supervised by staff members who have appropriate knowledge and experience. It is the responsibility of the relevant partner, principal or director to ensure that related risks are identified and that decisions are taken by those with an appropriate level of experience. The relevant partner, principal or director must also ensure that professional work is carried out efficiently and that it meets the firm's standards in all respects.

Our review procedures are designed to ensure effective control of the audit as it progresses. At a granular level, these policies are designed to ensure that:

- the work is performed in accordance with applicable standards and regulations
- significant matters have been raised for further consideration and appropriately addressed
- appropriate consultation has taken place
- the planned work has been reviewed to ensure that the objective of all planned work has been achieved
- the work performed and evidence obtained supports the conclusions reached and
- the documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained.

A concurring partner review is performed for audits of public interest entities and other high risk engagements. The concurring partner will be familiar with the auditing and reporting practices used during the engagement, and be knowledgeable and familiar with the client's industry, but will be independent from the client's audit team. They will be an experienced audit partner and not likely to be unduly influenced by the views of a particular engagement partner. The concurring partner cannot be actively involved in making ongoing decisions relating to the engagement and will not be involved in performing the engagement.

Concurring review partners are selected by TSG from a list of approved concurring reviewers, as determined by the Head of Audit.

Consultation

Our culture of openness encourages consultation with experienced partners and other specialists where appropriate in order to achieve quality outcomes that properly take into account the public interest.

f. Monitoring of the Audit stream

Our policies and procedures concerning monitoring activities are designed to give the firm reasonable assurance that the firm's internal quality control system is operating effectively and is being complied with in practice.

Our quality control system includes an annual cold review process of audit files to monitor compliance with the firm's policies, procedures and standards and to ensure that the work done to arrive at an opinion, or to support advice that has been given, is both adequate and properly documented.

The review consists of reviewing, on a sample basis, the working papers and reports of selected audit engagements and documentation of compliance with our quality control

policies and procedures in other areas. The sample is selected to ensure that each audit partner is subject to review at least once every two years and at least 60% of all partners are reviewed in any one year.

A designated partner is responsible for monitoring and documenting the implementation of, and compliance with, any corrective actions.

The process is managed by TSG and each review team is headed by an experienced audit partner. Each team also includes one member of TSG. Where the sample includes a specialist client such as a charity, appropriate internal specialists are involved in the review.

Independence of the reviewers is ensured through having each partner reviewed by a team from an SBU other than the partner's own and through TSG selecting the review teams and the partners subject to review.

Instructions are issued to the reviewers in advance of the review setting out the objectives of the process, a checklist, appropriate guidance and reporting templates.

Management statement on effectiveness of functioning

These policies, procedures, monitoring and review activities have provided the firm's management with reasonable assurance over the effectiveness of the firm's internal control system and that the firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate audit reports have been issued. The firm's management has inter alia considered the results of the annual regulatory inspections by the Audit Inspection Unit ('AIU'), the Quality Assurance Directorate and other regulators in reaching this opinion.

7 Monitoring of quality control

The last completed visit of the firm by the AIU took place in the second quarter of 2009. The firm received the final copy of their report on 21 September 2009. The AIU's Public Report on the 2008/09 inspection of the firm is available on the FRC website (www.frc.org.uk). We are pleased that their report recognised the importance the firm places on audit quality and we are committed to working with the AIU to ensure that the processes and approach continue to be improved. The current AIU review is in progress.

The last audit review visit by the Quality Assurance Directorate of the ICAEW took place earlier in 2010. The firm expects to receive the final copy of their report by the end of October 2010.

8 Public interest entities

A list of public interest entities as at 22 September 2010 is set out below.

Audit clients listed on an EU regulated market:

888 Holdings Public Limited Company
Abbeycrest plc
Amey Lagan Roads
Anglo Eastern Plantations PLC
Berkeley Technology Limited
Blacks Leisure Group plc
Castings PLC
Corin Group PLC
Derwent London Plc
FERONIA (EUROPEAN LOAN CONDUIT NO 11) PLC
Fordgate Commercial Securitisation No 1 plc
Funding for Homes Ltd.
Game Group PLC, The
Hargraves Hale AIM VCT 2 plc
Hargraves Hale AIM VCT 1plc
Haynes Publishing Group plc
Housing Securities Ltd.
IP Group Plc
JUTURNA (EUROPEAN LOAN CONDUIT NO 16) PLC
Kazakhstan Kagazy AO
KEYDATA INCOME VCT 1 PLC
KEYDATA INCOME VCT 2 PLC
Law Debenture Corporation
MORPHEUS (EUROPEAN LOAN CONDUIT NO 19)
PLC
MWB Group
Nestor Healthcare Group Plc
Pacific Quay Finance plc
Parity Group plc
PartyGaming Plc
PERSUS (EUROPEAN LOAN CONDUIT NO 22) PLC
PICTS PLC
Quadrant Housing Finance Limited
Radamantis (European Loan Conduit No. 24) plc
Randgold Resources Limited.
RPS Group plc
Rugby Estates Investment Trust plc
Snowdonia Securities
The Cayenne Trust plc
THE NARBOROUGH PLANATIONS PLC
Titon Holdings plc
TRIAD GROUP PLC
Triton (European Loan Conduit No.26)
Ulysses (European Loan Conduit No.27)
WHITE CITY PROPERTY FINANCE PLC

9 Independence

In relation to independence, the firm has detailed internal guidance setting out the policies and procedures designed to meet the requirements of the Auditing Practices Board's Ethical Standards. This guidance is complemented by training programmes targeting the needs of the individual partners and staff.

These policies and procedures cover, inter alia, our relationships with audit clients, rotation of audit partners, fees and the provision of non-audit services to audit clients. They meet, and in many instances exceed, those that are promulgated by the APB Ethical Standards, IFAC Code of Ethics for Professional Accountants and the ICAEW Code of Ethics. A summary of the firm's key policies and procedures relating to independence are set out below:

Integrity, objectivity and independence

If the partner identifies threats to the firm's objectivity, including any perceived loss of independence, they should identify and assess the effectiveness of the available safeguards and apply such safeguards as are sufficient to eliminate the threats or reduce them to an acceptable level. If the partner concludes that any threats to the firm's objectivity and independence cannot be reduced to an acceptable level then the firm should not accept or continue to provide that service to the client.

Audit engagement partners are required to communicate to those charged with governance on a timely basis of all significant facts and matters that bear upon the auditor's objectivity and independence. Internal guidance is available detailing the matters which should be included in such communications for non-listed and listed clients.

The relevant partner is responsible for the identification of conflicts. Client side checks involve a review of the firm's systems. Other side checks involve an email to the Conflict of Interest group and/or publication on the firm's intranet. Responses to the proposed project partner are required within a specified time period if there is a potential conflict.

Where we are being asked to work cross border BDO's International Liaison manager sends an email to the International Liaison Partners ('ILP') in the relevant countries. The ILP circulates the details to their conflict of interest email group with responses going directly to the UK prospective project partner.

When a conflict is identified, RMU assists with conflict resolution. Solutions are tailor made to each situation. Where appropriate we seek informed consent and if required ensure that teams, the location of those teams and servers used for the work are kept separate. Chinese walls and the use of a wall partner are other tools used to manage conflicts. Where a conflict cannot be managed to the satisfaction of all parties then we decline to act.

Financial, business, employment and personal relationships

The firm has policies in place that prohibit partners, staff and members of their immediate family holding a financial interest in an audit client or an affiliate of an audit client.

Partners, staff and their immediate family may only enter into business relationships with any of the firm's clients or their affiliates where they:

- involve the purchase of goods and services from the client in the ordinary course of business and on an arm's length basis and which the value involved is not material to either party or
- are clearly inconsequential to both parties.

Employment relationships are rare and approval procedures are in place before any such situation can be established.

Partners and staff members should report to the Ethics Partner where any member of their immediate family or close family, or anyone with whom they have a personal relationship, has an involvement with an audit client which they consider might create a threat to the firm's objectivity or a perceived loss of independence.

The annual declaration process seeks confirmation from partners and staff that the firm's policies surrounding financial, business, employment and personal relationships have been complied with. Annual declarations are reviewed by RMU.

Long association with the audit engagement

The firm's policies are in accordance with Ethical Standard 3 (Revised October 2009) Long association with the audit engagement ('ES3') notably that:

- the audit partner on a listed audit client rotates after five years except in exceptional circumstances, as noted in ES3, where rotation can be extended to occur after seven years. Where an extension of the rotation period occurs additional safeguards will be put in place and approval for the extension will be obtained from the Ethics Partner
- for non-listed audit clients, the audit partner will normally rotate off the audit after ten years.

The rotation of audit partners is centrally monitored by TSG.

Fees, remuneration and evaluation policies, litigation, gifts and hospitality

Ordinarily contingency fees are not allowed for any project where the firm will, as any part of that project or any other project, be required to give an independent opinion. The firm's prospective project checklists require project partners to consider the impact of the prospective project's fees on the partners' portfolio.

The firm's appraisal, promotion and remuneration processes for audit staff specifically exclude objectives related to selling non-audit services to audit clients.

Partners, staff and their immediate family members should not normally accept any gift, favour, or other personal material benefit from clients (or clients' officers or employees) or introducers of work to the firm or any other organisation or individuals including suppliers to the firm who may benefit or be seen to benefit from their relationship with the firm.

The annual declaration process seeks confirmation from partners and staff that the firm's policies surrounding gifts and hospitality have been complied with. Annual declarations are reviewed by RMU.

Non-audit services provided to audit clients

The firm's prospective project checklists are completed for all new clients and projects. In respect of all non-audit services, these checklists include a section for approval by the audit engagement partner to ensure that the audit engagement partner (or their delegate) is informed about any proposed engagement to provide a non-audit service to the audited entity or any of its affiliates and that he or she considers the implications for the auditor's objectivity and independence before the engagement is accepted.

The provision and approval of non-audit services is also specifically reviewed at an engagement level as part of the firm's annual audit file quality control reviews which involves examining a selection of audit files covering all Responsible Individuals. Findings from this process are presented to the RMC.

In addition to their own national code of ethics, all BDO Member Firms are required to comply with, and annually report as to their compliance with, the IFAC Code of Ethics.

10 Whistleblowing

The whistle-blowing policy has been designed to ensure that partners and staff members deal responsibly and in the interest of all concerned in the event of any malpractice within the firm.

By disclosing any information, a partner or staff member will not be treated any differently by the firm. The firm will attempt to ensure that there is no victimisation or harassment as a result of any disclosure and any appropriate disciplinary action may be taken against another staff member in breach of this.

Wherever possible, the firm will discuss in confidence the disclosure of information and protect the identity of anyone disclosing information and investigate the matter thoroughly. Any action taken as a result of whistleblowing will be dependent on the nature of the concern, and dealt with as the firm deems appropriate.

11 Continuing professional education

We are committed to developing and maintaining the highest possible standards of technical competence through our own development programmes.

We have developed a curriculum providing technical training for our professionals throughout their careers. For all new audit professionals, there is an orientation programme covering the firm's audit approach and procedures and its organisational structure.

All qualified audit staff, including managers and partners, are required to attend an annual mandatory update course combined with other focussed training throughout the year some of which is mandatory to certain populations of partners and staff and voluntary for others, depending on their business focus and own professional requirements. These courses are complemented by on the job coaching which provides a significant aspect of their professional development.

All staff members are personally responsible for keeping up to date with the knowledge and skills which they need to successfully carry out the roles to which they are assigned. Technical newsletters and circulars and on-line technical training is provided to assist staff.

As part of an individual's performance appraisal, professional development needs are assessed and courses or other training opportunities are identified. The firm requires participation in appropriate continuing professional development programmes and monitors the fulfilment of programme obligations.

12 Financial information

Stream Analysis of National Turnover*	2010 Turnover £m	2009 Turnover £m
Audit	92	99
Business Restructuring	53	57
Corporate Finance	35	31
Forensic Services	31	38
Tax	83	90
Investment Management	18	20
	312	335

Audit and non-audit clients	2010 Turnover £m	2009 Turnover £m
Revenue from Audit Clients	143	150
Revenue from Non-Audit Clients	169	185

Audit clients	2010 Turnover £m	2009 Turnover £m
Audit Revenue From Audit Clients	92	99
Non-Audit Revenue From Audit Clients		
- Business Restructuring	1	1
- Corporate Finance	11	8
- Forensic Services	5	5
- Tax	34	37

Stream analysis of group operating profit	2010 £m	2009 £m
Audit	28	24
Business Restructuring	20	25
Corporate Finance	8	2
Forensic Services	5	9
Tax	28	27
Investment Management	(1)	-
Unallocated	(23)	(25)
	65	62

Note: All disclosures above are unaudited

* Including our Belfast Firm which operates under a licence.

Audit comprises statutory audit work and directly related services.

The stream analysis of operating profit is stated after charging direct costs and central overheads where these can reasonably be allocated to the streams. Direct costs comprise employment costs (including internal recharges for work performed cross stream) and other costs incurred directly within the streams; central overheads that are deemed to be attributable to streams are allocated prorata on the basis of headcount, revenue or floor space occupied.

13 Partner remuneration

Members' profit shares

Profits are shared among all partners under a framework set out in the Members' Agreement. Until 2 July 2010, allocations were made by the Partnership Council biennially. From 2 July 2010 the Leadership Team have been responsible for allocations and these are now to be considered on an annual basis. They are based on a fixed first tranche, plus a second tranche based on the points held by each individual partner. There is provision to make payments for exceptional performance or severance payments.

A number of criteria are used in assessing the performance of each partner. These include delivering an outstanding and integrated service to clients, technical excellence, quality and risk management, growing and developing our people, contributing to the firm's financial success and growing our brand and reputation. Partners are subject to annual performance appraisals which include online 360 degree feedback from staff and peers and feedback on the quality of the relevant partners work. Audit partners are not remunerated by reference to the sale of non audit services to audit clients.

Capital and drawings

All partners are equity partners and share in the profits and subscribe the entire capital of the firm. Each partner's capital subscription is linked to their share of profit. The rate of capital subscription is determined from time to time depending on the financing requirements of the business.

The policy for partners' drawings is to distribute the majority of profit during the financial year, taking into account the need to maintain sufficient funds to settle partners' income tax liabilities and to finance the working capital and other needs of the business. The Leadership Team sets the level of partners' monthly drawings and reviews this at least annually.