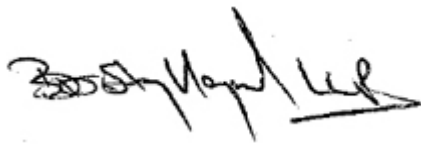


Transparency Statement for the 52 weeks ended 3 July 2009

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 requirements apply in respect of any financial year starting on or after 6 April 2008 and in the following pages we 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 hope that we meet the spirit as well as the letter of those requirements. We also hope 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.

A handwritten signature in black ink, appearing to read 'Bobby Hoyle', with a horizontal line underneath.

Approved by Leadership Team on 30 September 2009



Legal structure and ownership

BDO Stoy Hayward 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 3 July 2009 there were 233 members.

In October 2009 the Firm is changing 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 and the Firm also established a branch in the Isle of Man and a subsidiary LLP in the Middle East during the year. It is structured along both geographical and service lines. Our principal services are Audit, Corporate 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.

Network

The LLP is the UK Member Firm of BDO International. BDO International is the world’s fifth largest accountancy network, with annual revenues of over US\$5bn. Collectively its Member Firms (including BDO’s exclusive Alliance Firms) have approximately 44,000 people in more than 1000 offices across 110 countries.

BDO International is governed by the BDO Council and BDO Policy Board. The International Executive Office, located in Brussels, is responsible for the implementation of policy and the day to day co-ordination of the network.

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.

Governance of BDO International

Each Member Firm has one representative on the Council, which approves budgets and financial matters, appoints the Policy Board and approves any changes to the Member Firm Agreement.

The Policy Board comprises a representative of the network's five largest Member Firms whose appointment, for a three year term, is approved by the Council. The Chief Executive Officer ("CEO") of BDO International also attends Policy Board meetings. The Policy Board sets policies and priorities for the network and oversees the work of the CEO and the International Executive Office. The Policy Board meet at least four times a year, and more often if required.

Twice a year the Policy Board meets together with the Council of Regions which comprises four Senior Partners representing four geographic regions.

The BDO International Executive Office managed by the CEO of BDO International, is tasked with coordinating the affairs of the network. It does not provide any professional services: this is the sole preserve of the BDO Member Firms. A Global Leadership Team was appointed on 1 January 2009 to assist the CEO and comprises the CEO, Global Head of Audit and Accounting, Global Head of Tax, Global Head of Client Service, Global Head of People and the International Secretary.

Neither BDO Global Coordination B.V. nor any of the BDO Member Firms are responsible for each other's acts or omissions.

Governance structure

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

The Leadership Team at 3 July 2009 comprised the following members:-

Dermot Mathias - Senior Partner
Simon Michaels - Managing Partner
Carl Williams - Chief Operating Officer/Clients and Markets
Sophie Hill - Head of South
Jeff Jones - Head of North
Gervase Macgregor - Head of Advisory
Paul Eagland - Head of Audit and Tax

In addition, Tony Perkins and David Anderson served on the Leadership Team during the year as the Head of Audit and Head of People respectively.

The team provides strategic and operational leadership to both the Firm's service lines and geographic regions. It met at least twice a 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.

In addition, the Firm has two Non-Executive Directors (Lord David Currie and Lesley MacDonagh) who work with the Senior Partner, the Managing Partner and his Leadership Team on the further development of the business and its governance procedures.

Strategic Business Unit (“SBU”) Lead Partners

The Firm’s SBU’s are based in key financial centres around the UK. During the period under review, the Managing Partner and his team met with the Lead Partners of each SBU to review performance and consider upcoming issues on at least a quarterly basis. The business unit leaders have direct responsibility for the performance of their units and work in conjunction with the Leadership Team and Stream Leaders.

Stream Leaders

Stream Leaders representing Audit, Business Restructuring, Corporate Finance, Forensics, Tax and Investment Management are responsible for the development of high quality profitable services in their own areas.

Partnership Council

The Partnership Council usually 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. It consists of 12 partners, each elected for a four year term, together with the Senior Partner, Managing Partner and another representative from the Leadership Team. Its composition is designed to ensure appropriate representation of partners both by SBU and business stream.

Audit Committee

The Audit Committee comprises five members of the Partnership Council and meets with the external auditors and management to provide a forum for the external auditors’ reporting. It met three times 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 the effectiveness of the internal controls maintained and monitored by management as well as reviewing management’s prioritisation of key operational risks. It also reviews and monitors the integrity of the Firm’s financial statements, including key judgements made by management, before they are submitted to the partnership.

Risk Management Committee

The Leadership Team has delegated responsibility for the design and implementation of risk management procedures to the Risk Management Committee.

The Risk Management Committee meets bi-monthly and is chaired by the Head of Risk Management. It is made up of appointed individuals including the stream leaders, the Head of the Risk Management Unit and the director responsible for dealing with professional claims. 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.

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

1) 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 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 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.

2) Ethical requirements

The Firm's 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 ensure 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.

3) 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 the Head of Audit and in certain circumstances by the head of Risk Management.

4) Human resources

Human resources is 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 delivery 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.

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.

5) Engagement performance in the Audit Stream

Common methodology

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 developed the common BDO Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Auditing Standards and these common processes are used by BDO International 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 encourages consultation with experienced partners and other specialists where appropriate.

6) 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 and monitoring 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 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.

Monitoring of quality control

The last 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 2007/08 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 2008/09 Public Report on the Firm is expected to be published in December 2009.

The last audit review visit by the Quality Assurance Directorate of the ICAEW took place in April and May 2009. The Firm received the final copy of their report on 13 July 2009.

Public interest entities

A list of public interest entities for which the audit firm has carried out statutory audits during the year ended 3 July 2009 is set out below.

Audit clients listed on an EU regulated market:

888 Holdings Public Limited Company
Abbeycrest plc
Amey Lagan Roads Financial PLC
Anglo Eastern Plantations PLC
Ashpol Plc
Atlas Estates plc
Berkeley Technology Limited
Blacks Leisure Group plc
Castings PLC
Corin Group PLC
Coronis (European Loan Conduit No 8) Plc
Derwent London Plc
Emerald Energy plc
Estates & General Limited
Feronia (European Loan Conduit No 11) Plc
Fordgate Commercial Securitisation No 1 plc
Funding for Homes Ltd.
Game Group PLC, The
Haynes Publishing Group plc
Housing Securities Ltd.
IP Group Plc
Juturna (European Loan Conduit No 16) Plc
Kazakhgold Group Limited
Kazakhstan Kagazy AO
Keydata AIM VCT 2 plc
Keydata Aim Vct1 Plc
Keydata Income Vct 1 Plc
Keydata Income Vct 2 Plc
Law Debenture Corporation
Liberty International Acquisition Company Limited
Morpheus (European Loan Conduit No 19) Plc
Nestor Healthcare Group Plc

Pacific Quay Finance plc
Parity Group plc
PartyGaming Plc
Persus (European Loan Conduit No 22) Plc
Picts Plc
Pinton Estates Plc
Quadrant Housing Finance Limited
Radamantis (European Loan Conduit No. 24) plc
Randgold Resources Limited.
RPS Group plc
Rugby Estates Investment Trust plc
The Cayenne Trust plc
THE Narborough Planations PLC
Titon Holdings plc
Triad Group Plc
Triton (European Loan Conduit No.26)
Ukraine Issuance Plc
Ulysses (European Loan Conduit No.27)
Welsh Industrial Investment Trust plc
White City Property Finance Plc

Independence

In relation to independence, the Firm's Conduct of Professional Services Manual supplemented by individual Helpsheets contains the backbone of the policies and procedures. These are 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. Independence practices are subject to a continuous process of internal review as part of a series of monitoring and review activities, including:

- an annual declaration undertaken by all partners and staff;
- audit file quality control reviews examining a selection of audit files covering all Responsible Individuals on an annual basis; and
- other monitoring activities targeting specific aspects of audit independence.

All of these monitoring and review activities were operational during the past financial year.

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, attend regular technical update courses. 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.

Financial information

Stream Analysis of National Turnover	2009 Turnover £m	2008 Turnover £m
Audit	100	107
Business Restructuring	57	38
Corporate Finance	31	53
Forensic Services	38	38
Tax	90	98
Investment Management	20	19
	336*	353*

Audit and Non-Audit Clients

	2009 Turnover £m	2008 Turnover £m
Revenue from Audit Clients	151	167
Revenue from Non-Audit Clients	185	186

Audit Clients

	2009 Turnover £m	2008 Turnover £m
Audit Billings to Audit Clients	100	107
Non-Audit Billings to Audit Clients	51	60

Note: All disclosures above are unaudited

The stream disclosures have been amended to more appropriately reflect the nature of the work being performed; comparative information has been restated accordingly.

* Including our Belfast Firm which operates under a licence.

Partner remuneration

Members' profit shares

Profits are shared among all partners under a framework set out in the Members' Agreement. Allocations are made by the Partnership Council biennially. 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.