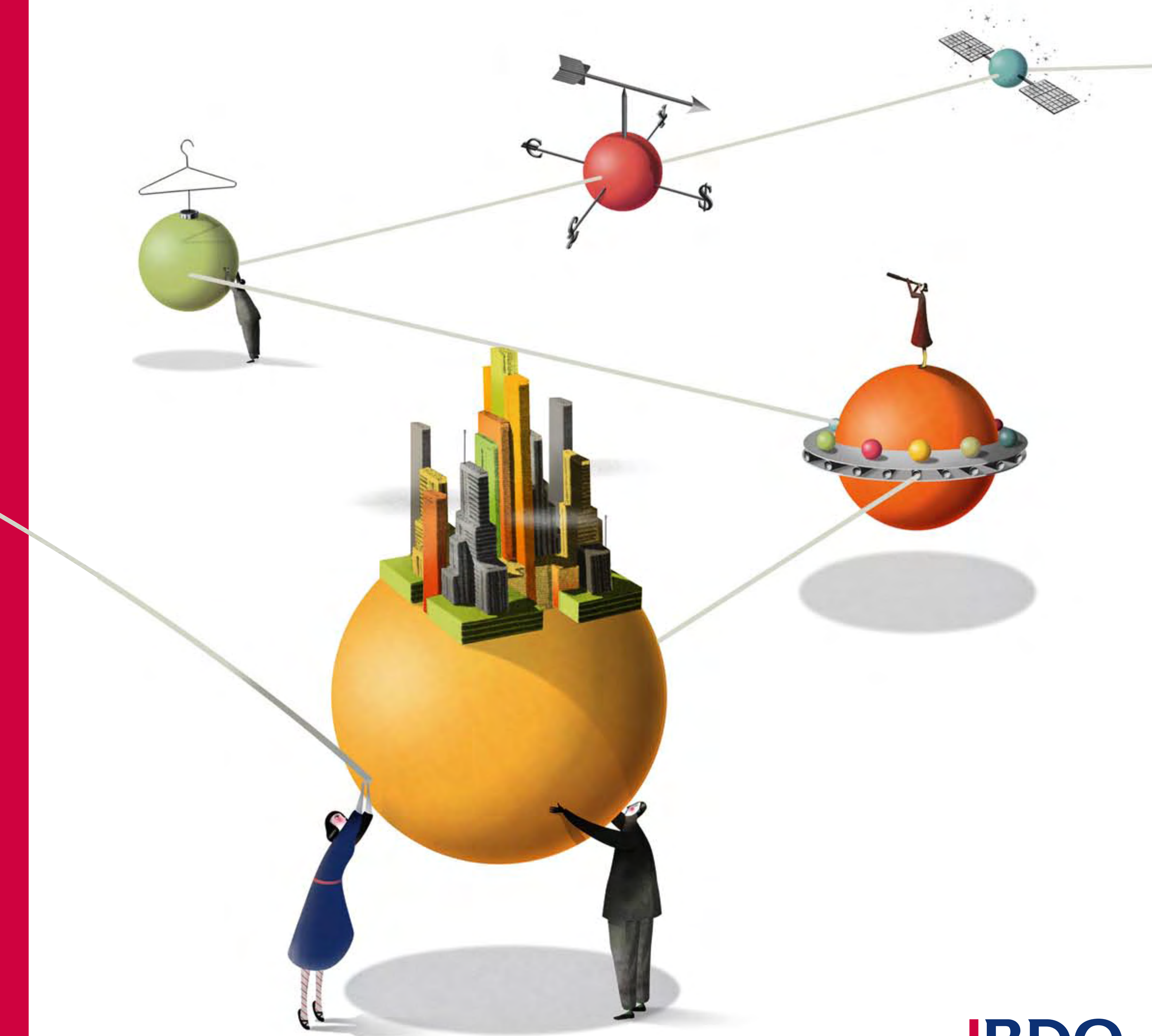
Connecting with clients



BDO Stoy Hayward LLP
Report and Accounts 2008

BDO
BDO Stoy Hayward

Contents

BDO Stoy Hayward at a glance

Our clients

Clients always come first. Our business is built on, and sustained by, the long-term relationships we develop with them.

Overall client satisfaction

07/08	8.0/10
06/07	7.8/10*
05/06	7.6/10*

8.0/10

* Audit and tax clients only

Clients welcome our innovative, pragmatic approach. We organise ourselves around their needs and work hard to find out what they really want. We share knowledge across the firm to deliver seamless client service that meets their specific requirements. We are a full-service firm offering a comprehensive range of national and international services. We act as one firm to deliver quality advice and support for clients in four main areas.

- Managing regulation, compliance and risk.
- Preparing and supporting acquisitions.
- Accessing new markets.
- Enhancing financial efficiency.

'Audit Team of the Year' 2008
'Tax Team of the Year' 2008
'Corporate Finance Deal of the Year' 2008

Our people

Delivering outstanding client service depends on exceptional individuals. We devote significant resources to attracting, developing and retaining the best in the business.

Staff/partner ratio (at year-end)

07/08	12:1	(3,042 staff, 250 partners)
06/07	13:1	(2,957 staff, 226 partners)
05/06	13:1	(2,845 staff, 216 partners)

12:1

We look for people with emotional intelligence as well as expertise. We have people of the highest calibre working on major assignments in our target markets. We focus on giving individuals the chance to thrive in a collaborative, team-based culture.

Once again in 2008 we were the only accounting firm to feature in the FT Top 50 Best UK Places to Work. We also won Employer of the Year at the Accountancy Age awards for an unprecedented third time. And we make sure partners are available for our clients.

'Employer of the Year' 2007

Our world

We believe well-rounded individuals contribute more to our business. We actively encourage our people to engage with the wider world.

Carbon emissions (tonnes)

07/08	11,209	(3.3 tonnes/employee)
06/07	11,447	(3.6 tonnes/employee)

11,209

We offer every employee six paid days of voluntary work each year. In 2007 459 people took advantage of the programme to support favoured causes and give time back to their communities.

In what was a landmark year we achieved our first top-100 listing in the Companies That Count Corporate Responsibility Index, compiled by Business in the Community. We were the most-improved entry in 2007, earning a Silver ranking.

This was our first year as a carbon neutral organisation. We achieved demanding environmental targets both during the build and in the energy-saving design of our new Baker Street offices.

Our performance

The firm made solid progress in challenging market conditions. Total revenue grew by 11 per cent to £353m. National turnover includes £10.4m that relates to our Belfast firm which operates under a licence and is excluded from our Consolidated Financial Statements.

	2007 £m	**2008 £m**	Change %
National turnover*	317.4	**353.1**	11
Profit**	72.5	**65.0**	-10
Total members' interests	81.4	**77.8**	-4

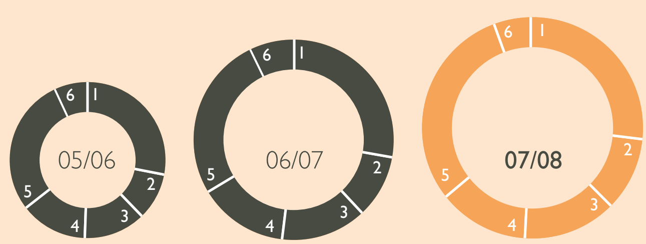
In Audit we performed strongly in key sectors, especially real estate, retail, financial services and natural resources. In Business Restructuring we won high-profile assignments. Corporate Finance grew in a very turbulent environment. We now have the largest dedicated white-collar fraud investigation team in the UK. Our team of over 20 dedicated staff have worked in more than 40 countries.

Investment Management gained Chartered Firm status and strengthened its actuarial function. Tax Services further strengthened its offering through acquisition and organic growth.

National sector teams reinforce our service streams with specialist expertise in financial services, manufacturing, real estate and construction, retail and technology, media and telecoms (TMT).

Analysis of national turnover* £m

	05/06 restated***	06/07 restated***	**07/08**
1 Audit	80.9	88.7	**95.8**
2 Business Restructuring	28.5	32.3	**36.7**
3 Corporate Finance	37.0	44.2	**47.5**
4 Forensic Services	39.8	46.2	**46.1**
5 Tax	82.4	83.5	**107.4**
6 Investment Management	19.5	22.5	**19.6**



* Including our Belfast firm which operates under a licence.
** Profit for the financial year before members' remuneration and profit shares.
*** Certain sub-streams have been reclassified between Audit, Business Restructuring and Forensic Services. Comparatives have been restated accordingly.

Our organisation

BDO Stoy Hayward is the award-winning UK Member Firm of BDO International, the world's fifth largest accountancy network, with more than 600 offices in over 100 countries.

Our UK business is a limited liability partnership operating from 14 offices nationwide:

- Belfast*
- Birmingham
- Bristol
- Cambridge
- Chelmsford
- Epsom
- Gatwick
- Glasgow
- Hatfield
- Leeds
- London
- Manchester
- Reading
- Southampton

*our Belfast firm is operated by a separate partnership under a license agreement.

Going forward: how we'll build on success

Our connections with clients underpin our business and are key to our future prosperity.

As a firm, we unite around a common goal: exceptional service for each and every client. We have structured our business to offer a seamless service, combining knowledge and skills from across the firm.

To find out more about how we are making the exceptional into the rule, please read on.

Senior and Managing Partners' statement

In July 2008 Simon Michaels was elected BDO Stoy Hayward's new Managing Partner. The change in the leadership of the firm provided an opportunity to take stock, to consider what has been accomplished, and to review our plans for taking the firm forward in the years ahead.

Dermot Mathias Senior Partner

Simon Michaels Managing Partner

Building on success

At BDO Stoy Hayward we have much to be proud of. In this document we reflect on the achievements of just one year, but these are built on foundations which have taken a long time to construct.

In recent years we have continued to enhance our reputation for quality work and invested significantly in client service. We have worked hard on being good employers, and succeeded in improving our brand recognition. We have participated actively and effectively in debates that affect our profession, specialist services and sectors. As a consequence we are proud to have created one of the most successful, respected and progressive firms in the marketplace.

But we are not complacent. Our ambition is clear: to become leaders in our core mid and larger corporate markets, both domestically and internationally. We plan to continue developing our broad service proposition and deepening our expertise in manufacturing, real estate and construction, retail and technology, media and telecoms (TMT). And, as the UK consolidates its position as a global centre for financial services, we will continue to grow our team in this sector. Above all we will continue to invest in quality.

The value of that investment was clear in November 2008, when we scooped all three service line prizes in the Accountancy Age Awards: Tax Team of the Year, Audit Team of the Year and Corporate Finance Deal of the Year.

The challenges and opportunities

In today's tough economic climate client priorities are changing. Financial uncertainty and the rise of emerging economies are shifting market dynamics. Tougher times create opportunities both for our clients and for our firm.

In an uncertain business environment we are ensuring that we retain flexibility and cohesion, able to address evolving client issues by focusing the entire capability of the firm where and when it is needed. We call this 'one firm' – connecting and leveraging the skills, passion and ambition of everyone in our business for the benefit of our clients.

Our new Leadership Team has been tasked with developing this responsive approach further – putting clients first and ensuring that we remain an employer of choice for people who want to engage with clients in positive and proactive partnerships.

The turbulent marketplace presents a challenge to the new Leadership Team – growing both our revenues and our profitability. We will continue to be commercially disciplined, adopting tighter financial and performance controls. But at the same time we will invest in those things that help us to grow revenues and we'll spend as much time as we can with our clients, addressing their needs and working alongside them.

Performance

We had a strong 2007/08. National turnover grew 11 per cent to £353m – a solid performance reflecting both organic growth and targeted acquisitions.

Group profitability decreased slightly from £72.5m to £65m this year as a result of our continued significant investment in infrastructure and quality people. We consider these long-term investments necessary to ensure the business has the appropriate scale, quality and depth of resources to enable us to continue to develop strongly in our chosen markets and to deliver exceptional client service.

Highlights of the year included:

- 3,000 people were involved in our client engagement initiative to ensure that we offer unequalled client service.
- We ran a national advertising campaign that combined traditional and digital channels. We want more people to know who we are, what we do and why they should choose to work with us.
- We maintained our position at the forefront of the regulatory debate on choice in the audit market.
- We enhanced our resources, both through recruitment of talented people and via the acquisition of high-quality niche businesses.
- We maintained our reputation as an employer of choice.
- Our five London offices were brought together into a new building at 55 Baker Street, providing a stimulating workplace designed to the highest environmental standards.

...the skills, passion and ambition of everyone...

Senior and Managing Partners' statement

Acquisitions

We made two acquisitions to strengthen our offering to clients in strategically important areas for the firm.

In October 2007 we acquired the tax business of Chiltern Plc – a 70-strong, £18m turnover practice and the UK's leading independent tax consultancy. The acquisition greatly enhanced our tax practice, which itself experienced significant growth during the period.

In March 2008 we acquired the business of Wolanski Checkley Fisher LLP, adding some 30 professionals to our investment management business. This has enabled us to develop our pension advisory service and has significantly augmented our actuarial team.

Positioning

Over the past few years we have built an increasingly clear position in the marketplace, differentiating BDO Stoy Hayward from our competitors.

What continues to mark us out is the quality of our relationships with clients, led by our most senior people. Market research tells us that we are characterised as straight-talking, insightful and eager to share knowledge and stimulate debate.

In the recruitment marketplace these qualities have helped us attract and build a group of bright and diverse people, able to be themselves, empowered to give their best to clients and equipped to fulfil their potential through supportive development and training.

Our status as an employer of choice gives us competitive advantage, enabling us to attract talented people able to meet the increasingly stringent demands of both UK and international clients.

"Above all we aspire to build deep and valued relationships with our clients."

International growth

International support and advice is increasingly important to our clients, who gain increasing benefit from our membership of one of the world's largest global accounting networks, BDO International. This brings together some 44,000 people working in over 600 offices across more than 100 countries, generating revenue of over US$5bn.

Our international clients want us to provide a seamless global service. We are working increasingly closely with our colleagues across the network to deliver that. A record number of people were seconded to and from BDO Member Firms in 2007/08. In October 2008 our previous Managing Partner, Jeremy Newman, took up the key appointment of CEO of BDO International.

Governance

The new UK Leadership Team brings together a diverse group of experienced individuals.

It is well placed to build on past successes and our thanks go to Jeremy Newman and the rest of the previous Management Executive Team for their significant contribution to our business over many years.

The firm also appointed two highly experienced non-executive directors in July 2008. Lord David Currie and Lesley MacDonagh are now working with the Leadership Team on the further development of the business, its governance and procedures. These two appointments also support the recent recommendation of the Financial Reporting Council's Market Participants Group, that firms which audit public interest entities should comply with Combined Code-style corporate governance guidelines.

Outlook

Above all we aspire to build deep and valued relationships with our clients. Such relationships, supported by open-minded, motivated people with pragmatic and commercial outlooks, generates the client loyalty that will allow us to make a difference that is valued. In turn, this will foster the continued development of a long-term sustainable business.

The principles that drive our business

While our strategy evolves in response to changing external challenges and opportunities, the principles that underpin our business remain unchanged.

Our fundamental purpose remains

- To build our reputation for quality work and exceptional service delivered through strong personal relationships.
- To provide a challenging environment and superior employment experience to attract, develop and retain the best people.
- To maintain a sustainably profitable, secure, distinctive and independent firm.

These principles are underpinned by our core values

- Strong and personal client relationships.
- Honesty and integrity.
- Taking personal responsibility.
- Mutual support.

Our clients are at the centre of our business. We're building a seamless firm around them.

Our clients

Our clients

Delivering a great client experience

We focus on building long-term relationships with our clients. There is no better way to grow a sustainable business, but that's not the only reason. It's also a personal thing.

Individuality is in the bloodstream here – it characterises our people and informs the way we deal with our clients. It creates a climate where bespoke solutions are the norm.

Sustaining a high-quality service depends on engaging fully with client concerns. We need to understand what our clients want, make their priorities our priorities and match our business to their evolving needs.

First and foremost, they insist on the highest standard of professional service in the relevant accounting disciplines. We deliver that.

Understanding our clients

Clients want seamless access. Our service streams, specialist sector teams and international network Member Firms collaborate closely. Our complementary capabilities bring the wealth of what the firm has to offer to the client's door.

We don't work in silos. We are one firm. We deliver what clients actually want.

That may sound simple. It isn't. Exceptional client service doesn't happen by accident.

In our business, quality is about the whole client experience. Continual improvement is our best guarantee of future success. We know that as long as every aspect of our service exceeds our clients' expectations – we will keep them with us.

Our national profile-building campaign highlighted our understanding of our clients' agendas. We ran this campaign through traditional press, online and by direct mail. Long before our competitors were talking about the impacts of the credit crunch, we encouraged clients to meet with us so that we could help them understand if they were 'financially fit' and doing all they should do to be financially efficient.

Each of our clients is unique. We work hard to understand every client's particular needs, and we seek feedback about how we have done.

Clients want us to configure services around them. They want integrated, relevant services. They want us to act in their interests, as one firm. And they want a high-quality service, focused on excellence.

Our work for NB Real Estate demonstrates how this works in practice. The company, one of the top three UK commercial property management firms, sought a single supplier to manage the service charge reviews for its significant property portfolio. We were one of seven firms on the shortlist, but the only one to propose setting up a dedicated, special purpose team. We won the business.

Another thing we know: 57 per cent of corporate clients that we provide audit or tax services to would definitely recommend us. This is an encouraging statistic, but it is only a starting point. We want to do better and we believe we can.

> "We don't work in silos. We are one firm. We deliver what clients actually want."

Connecting with clients

Visible benefits for a fast-growing retailer

In less than five years TM Lewin has gone from being a specialist shirtmaker with just four outlets to a 60-plus store operation selling a broad range of clothing, with a significant online business.

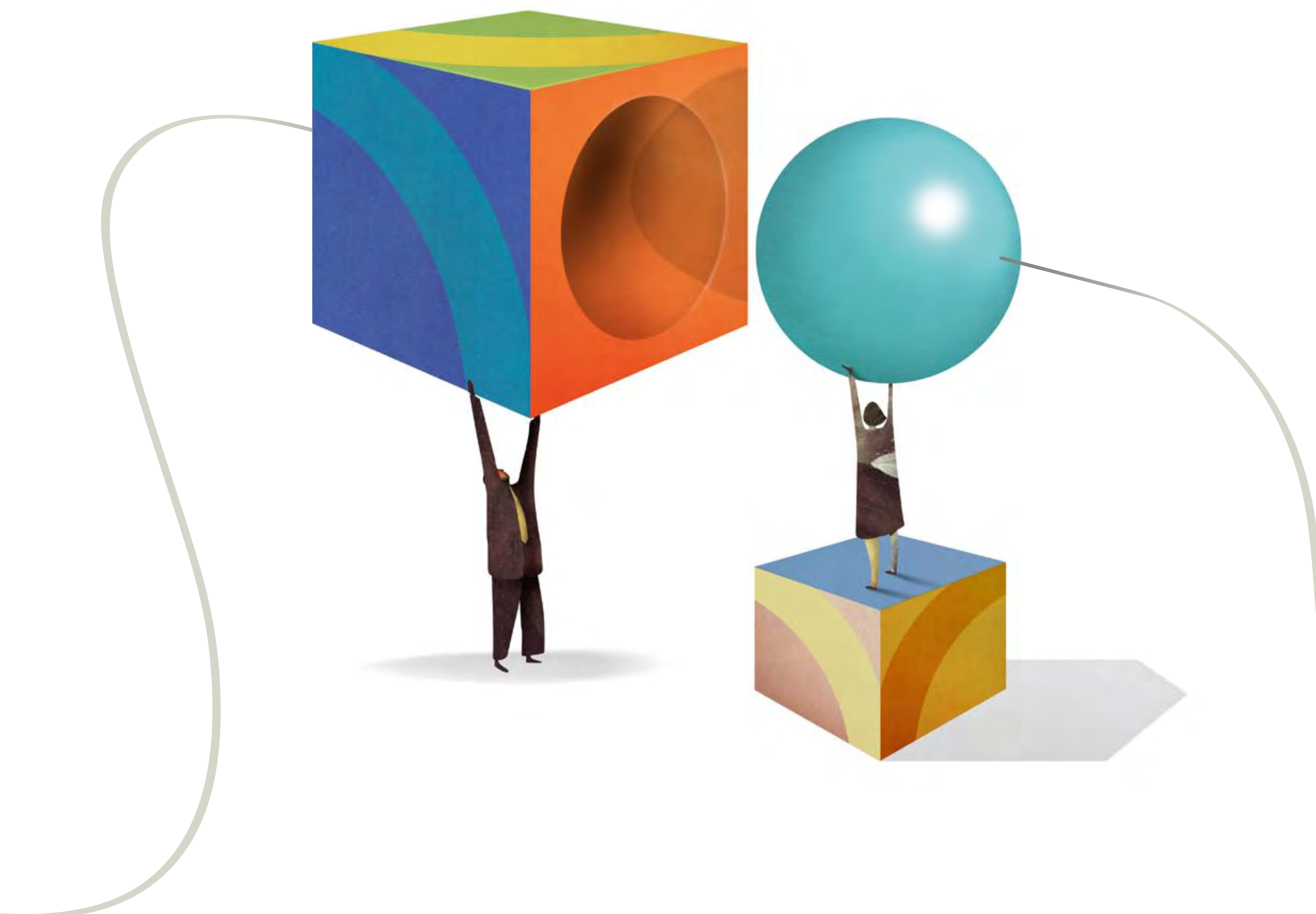
But its success has also brought problems. The firm's ERP system was never designed for such a complex operation. Limited stock visibility was hampering its planning. Change was needed and it had to be achieved without disrupting the business.

We already knew TM Lewin well, having advised for several years on audit, corporate finance and tax matters. They asked us to examine the options: should they try to upgrade or invest in a different system?

"BDO Stoy Hayward convinced us we needed to switch to a more capable technology," says Financial Director Mike Trotman, "but that posed challenges. We had our hands full at the time. We were relocating our head office as well as outsourcing our warehousing operation.

"Fortunately, BDO Stoy Hayward's people didn't just recommend a new system; they stayed with us through implementation. We got great practical assistance, especially in areas like security and stock visibility. Their participation helped the rollout go smoothly. Now, with a fully scalable system in place, we have the tools we need to keep growing this business."

... bespoke solutions are the norm...



"Understanding clients is not enough by itself. Sometimes, we also have to be ready to change the way we do things."

Connecting with clients

Supporting Kronospan across Europe

Continual investment and innovation have propelled Kronospan, which began life as an Austrian sawmill over a century ago, to its current status as the world's leading wood-based panel producer. Kronospan Holdings Ltd, Cyprus, a €1.4bn company, has retained strong European links. Today it operates in 11 countries across Central Europe.

We were first appointed auditors to the group in 2001. From our Manchester office we manage its global audit processes and co-ordinate reporting with local auditors – many of them BDO International Member Firms – for 35 constituent companies. That calls for integrated working to a very high standard, both nationally and internationally.

Ensuring the free flow of information is critical. We introduced an extranet site in 2006 to collate local reporting and update individual offices on critical dates. We also undertake regular site reviews; annually in Poland and on a rolling basis elsewhere.

Says Kronospan spokesman Chris Ryan, "Even after all these years I'm still impressed by the high quality of the service we get from BDO Stoy Hayward in Manchester. They resolve technical issues quickly and effectively. They're very pragmatic. And they get things done on time."

Listening and learning

Understanding clients is not enough by itself. Sometimes, we also have to be ready to change the way we do things.

Our innovative client service programme identifies and analyses client feedback, then organises and motivates our people to go on raising the bar on client service. We produce systematic plans across the firm to improve client service and strengthen commercial relationships.

We have also introduced a new online questionnaire which will extend the reach of our client listening programme. We have made further use of our online capabilities to build a client panel, a portal that allows us to research, prototype and explore new ways of improving service. And clients are excited by the prospect: over 150 have said they would join.

Staying close

We have a more intimate working style than other firms. Our partners are very accessible.

We believe this benefits our clients. Our partners keep in close contact with them, remain hands-on and are prepared to give a view. This also benefits us: accessibility builds mutual trust and helps ensure clients remain engaged.

Our clients tell us they value this approach and like to hear our view of the market, and share our knowledge of their industry.

It may also explain why we are often asked to act for management teams in secondary buy-outs. Two deals last year stood out: the £130m secondary management buy-out of leather goods company Radley + Co and the £95m secondary buy-out of Kurt Geiger. In both cases, after tough negotiations with the bidders we made sure that the management teams, the people most instrumental to the successes of these companies, received the incentives they merited.

Working as one firm

We want our clients to have access to the best of everything BDO Stoy Hayward has to offer. We do this by bringing together the diverse, talented people who work here and co-ordinating their activities in the client's interests. We instill collaboration throughout the business.

We are broadening our skills base with targeted training initiatives. We are building a digital solutions guide, which gives everyone in the firm comprehensive knowledge of what we do. We are also connecting our clients with each other in social and professional forums, such as sector-focused client dinners and industry events.

A first for BDO Stoy Hayward is the sponsorship of Tech Track 100, a league of Britain's fastest growing privately owned technology companies. Together with our co-sponsors, Barclays and Microsoft, we provide networking opportunities for the owners and directors of these companies.

Across the firm, our services add value to our clients' businesses in four broad areas. We help them manage regulation, compliance and risk; we support them during acquisitions; we facilitate their access to new markets; and we help them enhance their financial efficiency.

In the pages that follow we show how we add value for our clients in each of these areas.

Our clients

Managing regulation, compliance and risk

Business people want to get on with running their companies – they don't want to spend all their time jumping through regulatory hoops. They have statutory obligations to meet and they want to protect themselves against fraud; and they want it all to happen in a trouble-free, cost-effective way.

In addition to helping and supporting clients on specific challenges we also work with key influencers within our industry. For example we sponsor the Audit Chair Network Programme which enables audit committee chairs to meet, explore key issues and benefit from the input of specialist technical experts.

Recognised audit quality

Last year both US and UK regulators undertook rigorous assessments of our audit services.

This year the high standard of our work was confirmed by the Accountancy Age award for Audit Team of the Year. We were also one of only four firms selected by the Audit Commission to provide it with audit services over the next five years. The Commission singled out our highly experienced partner and director, supported by an excellent team of audit managers and our first class operational arrangements, as decisive factors.

We have also won a wide range of new audit work, particularly in our chosen specialist sectors; at the Dover Harbour Board, Atlas Estates and Eckoh, and with New Earth Solutions and Newfound NV. Barnardo's is another new client, as are brands such as Fabergé and Zavvi.

Understanding regulation and risk

Changes in FSA, Lloyd's and EU regulatory requirements are causing underwriters and brokers to think more rigorously about managing the risks their businesses face. We are contributing to that debate by holding regular dinners with heads of compliance and internal audit as well as conducting internal audit reviews for all types of insurance organisations.

Our specialist insurance internal audit practice caters to leading international players in the insurance sector, including The Shipowners' P&I Club and Whittington. Working closely with our clients, we are able to provide them with assurance that they are managing their risks effectively and complying with their respective regulatory requirements. We check that their control environments are adequately designed and test their operating effectiveness under a range of conditions.

Credit derivative valuations broke down in last year's difficult market. We have been helping financial institutions to re-evaluate their risk for capital adequacy reporting purposes.

Our Professional Services group is advising law firms and others on changes in structures in the wake of the Legal Services Act. Legal professionals are facing new challenges from different types of businesses and investors entering the marketplace, and many firms want to review their strategies and consider how best to take advantage of the new opportunities.

Investigating and mitigating loss

When it's too late for risk mitigation, companies also have to look at ways to recover lost assets. We have a strong reputation for forensic accounting and work closely with a large number of top legal practices.

There has been a steep rise in professional negligence cases this year. As recognised experts in the field we handle much of the support work – uncovering evidence, preparing reports and delivering expert testimony in numerous jurisdictions.

Our reputation for innovative solutions extends beyond the work we do for clients. In order to make more people aware of the types of scenario which could trigger an investigation by HM Revenue and Customs, we launched a trilogy of tax investigation films on YouTube and Second Life.

Connecting with clients

For sale: used car dealer

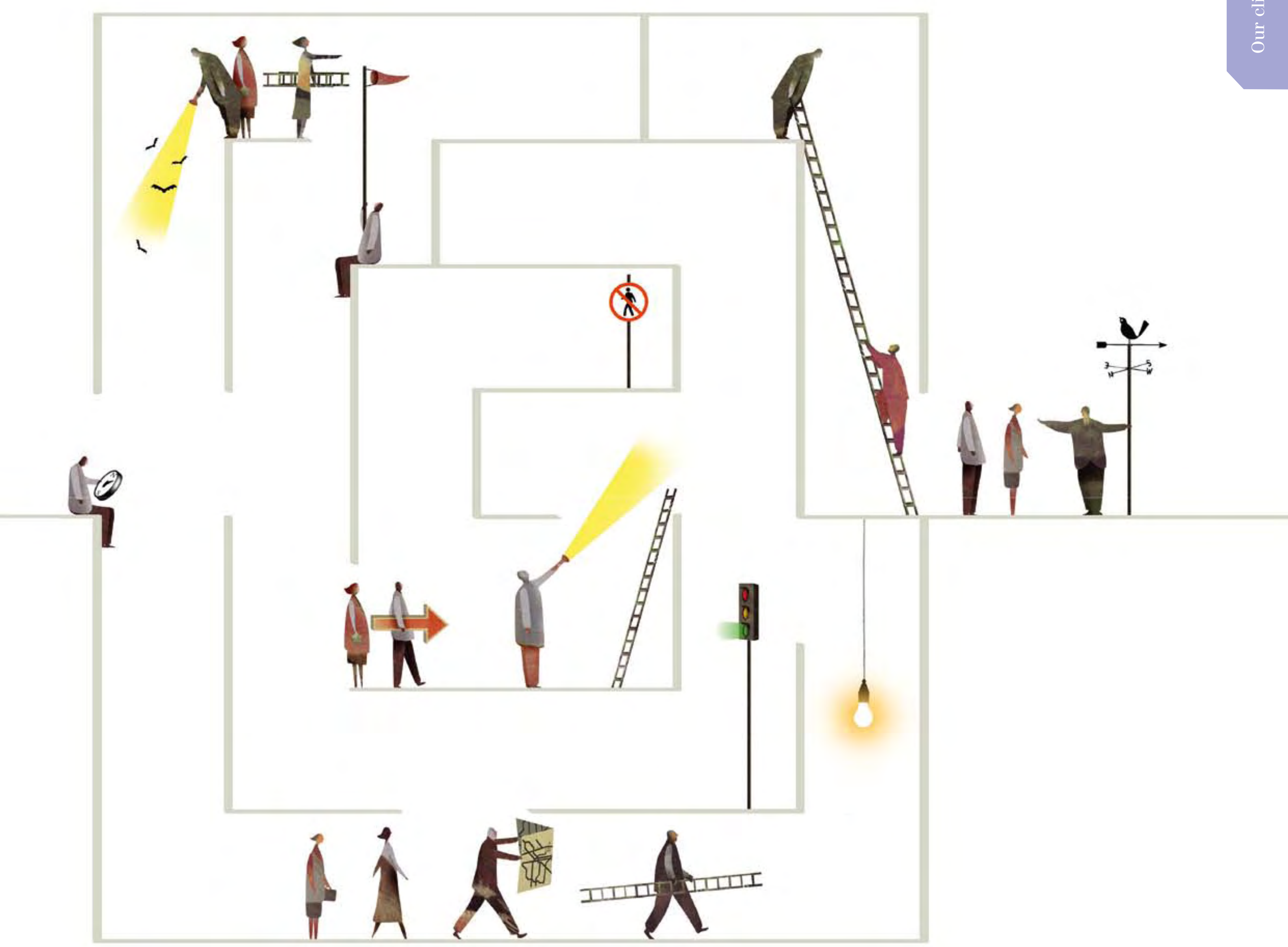
When Dixon Motors was placed in administration in July 2007 we acted decisively to discharge our legal responsibilities as its administrators.

"We knew going in that we would have to sell the business assets on to get the best deal for creditors," says Business Restructuring Partner Shay Bannon. "Car retailing was in the doldrums, but we still managed to attract 30 potential buyers for all or parts of the business. We weighed the options and negotiated a swift sale, which placed the branch network with a rival dealer network.

"It was important to move quickly. Dixon Motors had been a £400m turnover business. It wasn't just banks that were affected. There were unpaid employees and customers facing lost deposits on cars. The sale gave us the ability to limit the pain."

Over 100 BDO Stoy Hayward staff have been involved in some capacity, negotiating with thousands of car buyers as well as the secured and unsecured lenders.

"Last year both US and UK regulators undertook rigorous assessments of our audit services."



Our clients

Preparing and supporting new acquisitions

We help clients with acquisitions in various ways – we locate and analyse opportunities, we advise on structure, systems and processes, we undertake due diligence, tax and official reporting. But most importantly, we always engage. Before we do anything we take the time to understand the client's business; then, when needed, we can think laterally and act fast.

Identifying opportunities

Our acquisition search service, launched last year, gives acquisitive businesses filtered access to a wide range of potential bid targets. As mid and large corporate market specialists, we have amassed a sizeable database by tapping into our sector expertise and cross-stream capabilities. Six analysts nationally support the core team in Birmingham.

We have been working with The Money Portal, a client on the acquisition trail, for a number of years. This is an innovative business at the forefront of strategic thinking in the financial services distribution sector. A key deal for it in the last year was the purchase of Burns-Anderson, for an undisclosed sum. The Money Portal now has retail assets under influence of some £10bn and a distribution channel of over 1,800 affiliated IFAs.

Our main focus is on mid and larger businesses where we see a real appetite and strategy for growth. The management team at Tyrrells Potato Chips always knew exactly where they wanted to take the business. We helped them achieve their vision, from inception to a successful, multi-million pound sale in 2008.

Structuring deals

Clients often tell us they appreciate our can-do style of working. Innovative solutions are central to this – as Accountancy Age acknowledged when we won the Corporate Finance Deal of the Year 2008. In the first half of 2008 our national M&A teams completed 38 mid-market (<$500m) transactions – ranking us first in the Thomson mid-market league tables.

We recently completed a survey of 130 senior executives of private equity backed mid-market companies and private equity firms. This found that there was still massive appetite for bolt-on acquisitions, and expectations for M&A activity remained high despite the credit crunch and economic slowdown. The market was divided on valuations: many investors and trade buyers were not cutting valuations significantly while others were attempting to cut deep. Sales were being delayed – which could prove costly to vendors if valuations fall.

Real estate clients are natural entrepreneurs; whether they are buying a building or acquiring a business, the deal is what counts. In a tightening property sector last year we assisted Anthony Lyons and Simon Conway, the sole shareholders in Matterhorn Capital, on several substantial UK and European real estate transactions. These included the creation of a 50:50 joint venture with Liberty International plc's subsidiary, Capital and Counties, to own and manage world-famous exhibition and conference centres that make up part of the Earls Court & Olympia Group. The transaction valued the group at over £380m.

Today's difficult trading conditions are also presenting opportunities.

As margins get tighter our Tax team is doing more work with leading private equity houses to help them structure bids tax-efficiently. We are currently seeing more private equity refinancings and we have been advising investee companies on restructuring to reduce tax liabilities.

We anticipate more distressed M&A activity next year as the economic slowdown bites. With our strong credentials we are well placed to advise on coping with the challenges posed by the tougher economic climate. For instance, we assisted audit client Stylo when it decided to buy the collapsed Dolcis footwear chain from the administrators, saving 300 jobs in the process.

Providing post-acquisition support

We don't just prepare our clients for acquisitions, we also support them in the post-acquisition phase. For instance, one client asked us to help it merge an acquired company's pension scheme into its own. This wasn't easy. The scheme had 2,500 members and they had to be persuaded to switch. We set up a new, contract-led scheme and ran workshops across the country to get the buy-in they needed.

By helping our clients to integrate their new businesses we improve the prospects of profitable future work.

Connecting with clients

Cross-stream for Slipstream

Gyro International is Europe's largest B2B integrated marketing agency. It has 15 offices, which are active in 11 countries on three continents. The business has quadrupled in size over the past three years as a result of its acquisition-led growth strategy. By 2008, its revenues reached £50m.

In January 2008 a leading US private equity firm made a substantial investment in the company, and it became a wholly-owned subsidiary of Slipstream, a $200m marketing group based in New York.

We had been Gyro's auditors since 2005 and advised management on numerous cross-border acquisitions. The management team approached us for corporate finance and tax advice on the 2008 transaction.

Following this, Gyro's UK CEO Richard Glasson proposed we be appointed auditors to the combined group. "Over the last three years," said Richard, "we have built a great relationship with BDO Stoy Hayward. They understand our business and provide commercial and pragmatic advice. I am continually impressed by the level of cross-stream service we receive, both in the UK and internationally."

His words struck home. We now audit and advise the US parent as well as acting for Gyro in all of its international jurisdictions.

Our clients

Connecting with clients

Synchronised services for Synchronica

Synchronica, the AIM-listed mobile email and synchronisation solutions provider, is a technology business with ambitious future plans. We are helping them bring those to fruition.

When the business acquired competitor AxisMobile in 2008, it gained the technology to significantly expand its offering. Our Corporate Finance team advised on the deal and helped it raise additional funding for its continued expansion.

In the post-deal phase the group had urgent statutory reporting requirements with the Middle Eastern authorities. Our BDO International partners there provided valuable advice on the ground at very short notice.

Synchronica was keen to ensure AxisMobile's rapid integration. We have been working closely with them to create the best operational structure for that. Our international Tax team was involved in the original acquisition and is advising on intellectual property rights and cross-border capital flows.

"The AxisMobile deal marked an important stage in our journey towards becoming a global market leader," says Synchronica Finance Director Angus Dent. "BDO International's cross-border expertise and resources have been invaluable, but what's even more important for a firm like ours is their can-do attitude."

Accessing new markets

In the global economy the next big thing can happen anywhere. Businesses have to stay alert to threats and opportunities. They need an adviser with the resources and know-how to support them anywhere in the world.

In a subdued market we are still forging international links. As reporting accountant for Chariot's AIM flotation we are helping its business to push back the frontiers in new petroleum provinces. We are also advising major funds that are investing in Romania and Poland.

We have been reporting accountants on over 100 AIM transactions in the last three years spanning over 30 countries. This has given us first-rate international contacts and valuable insights – we know what matters to growing businesses trying to expand into new markets.

Welcoming foreign businesses in

The UK is set to become the European hub for Islamic banking, but as yet there are relatively few active entities in the UK. We are well placed to assist. We advised Dar Capital, a new Islamic investment bank, backed by the Kuwait-based Investment Dar Group, on the regulatory, capital and system requirements for setting up a Sharia compliant investment bank in London.

Abu Dhabi National Exhibition Centre (ADNEC) has a clear mission. It wants to be the world's leading provider of exhibition spaces. We helped it take the first important step. Our Corporate Finance and Tax teams undertook due diligence, tax structuring and financial modelling for its £178m purchase of ExCel, London's largest exhibition and conference centre.

Helping UK-based businesses out

We share knowledge and resources with other Member Firms in the BDO International network to locate, finance and structure cross-border transactions.

China is a beacon economy for ambitious UK companies and our China Advisory Services team provides in-depth research and on-the-ground support. The core UK team includes Chinese nationals and works alongside six BDO International Member Firms with over 1,700 partners and staff in mainland China, Hong Kong and Taiwan.

Among recent assignments, we have researched China's forklift manufacturing sector for Caterpillar distributor Briggs.

Supporting multinationals all over

Global businesses seek to offer global services. To do this they have to be ubiquitous. In practice this can create compliance and regulatory risks. Having a finance function in every country doesn't always make commercial sense: it can pose logistical challenges and potentially exposes these organisations to risks of non-compliance.

For companies such as CA (formerly known as Computer Associates) choosing BDO Stoy Hayward as its outsourced accounting provider affords it an international guarantee of quality. Our global expertise can avoid potential penalties as a result of not being aware of local regulations and requirements.

Our clients

Enhancing financial efficiency

Life is getting tougher for UK businesses. They face intense competition at home and abroad, rising unit costs and more challenging economic conditions. In some sectors regulatory issues are a real headache.

Companies are seeking to extract maximum value from their activities. They expect their professional advisers not only to understand the issues they face, but to bring strategies to deal with them. That's where we come in; with financial efficiency services that meet specific client needs.

Focusing on specifics

Our performance improvement business looks at operational efficiency and working capital management. We carry out financial healthchecks on behalf of banks and private equity houses. We also work directly with companies on a confidential basis; helping them to control costs, manage cash flow effectively and restructure their balance sheets.

We deploy commercially aware teams with detailed knowledge of the sectors they serve. Our partners lead from the front.

In the manufacturing sector, we are helping clients to improve operational and financial efficiencies focusing on production, overheads, sales and marketing, purchasing and stock management. Our recently created operational performance improvement service line is targeted at both healthy and distressed businesses. The take-up to date has been through bank and private equity acquirers or leveraged buy-outs where profit improvement is key to debt service during the toughening economic climate.

We continue to be a strategic partner of the EEF, a leading trade association for manufacturers. Our latest research, Modern Manufacturing, evaluated the performance in different sectors of the industry and highlighted how the successful sectors achieve their competitive advantage.

Actions not words

We don't just recommend strategies to clients; we stick around to realise efficiencies.

Our investment management advisers are reducing costs for employers by making pension and benefit schemes more efficient. Since the introduction of the Pension Protection Fund (PPF) all UK pension funds pay a mandatory insurance levy. We have helped several restructure their schemes and negotiate significant reductions. The contingent asset arrangement we devised for one client, a national builders' merchant, cut its annual levy by two-thirds.

We help to reduce pension liabilities in other ways. One audit client, Age Concern London, faced a six-figure bill when it exited a local government pension scheme that was in deficit. After tough negotiations we got a substantial reduction.

We save money for our clients and help them run their businesses more efficiently by reducing their tax liabilities. Indeed, our passion for cutting clients' bills earned us Accountancy Age's 2008 Tax Team of the Year award. Our expertise in transfer pricing helps international clients – such as Norgine, the leading European speciality pharmaceutical company – make the most of available allowances. Our R&D tax experts work with clients, including Ultra Electronics, to claim their full R&D entitlements.

Connecting with clients

Helping Rugby Estates get its REIT right

We recently helped Rugby Estates launch a £50m Real Estate Investment Trust (REIT) entity which was set up to acquire smaller, mainly family-owned, property companies. In some cases, especially where ownership has passed through two or more generations, family members can't agree on strategy. These kinds of companies tend to under perform. Shareholders may want to divest, but it's hard to do that tax-efficiently.

We have been working with the REIT's managers at Rugby Estates to locate likely candidates and undertake due diligence. We also provide tax services to the REIT and advise on the systems and processes it needs for regulatory and reporting purposes.

"The Rugby REIT has been very active and we have worked well with them across the country," says BDO Stoy Hayward Partner, Richard Levy. "We've built up a close understanding and that makes it far easier to add real value."

"The market's been heading south, but even so it's been a successful year for us," says REIT Chairman Philip Kendall. "We made three acquisitions, which have worked out well. It was good to have BDO Stoy Hayward's expertise and commercial acumen alongside. We're monitoring the market for the moment and are focusing on maximising our portfolio, but we're conservatively financed and remain alert to potential opportunities."

We value every one of our people. They make us invaluable to our clients.

Our people

Our people

Attracting outstanding people

The key to our success with clients is our employment proposition. To deliver outstanding client service, we need a diverse mix of outstanding individuals. So how do we attract, develop and retain the right people?

First of all, by being clear about who we want. In last year's report, we set out specific criteria: 'As well as expertise, we look for team players whose competitiveness and ambition are shaped by strong values rather than ego: client-centred people who work best when they're unhampered by bureaucracy. We want people with emotional intelligence – individuals who can really connect with clients.'

Over the past year the jobs marketplace has changed and candidates are viewing prospective employers more cautiously. As well as wanting to know if an organisation has the right culture and values for them, they are looking for stability and security. Our ability to go on growing market share without compromising our values in pursuit of profit sends out a strong, positive message. We are widely seen as an employer of choice in our sector.

We have again increased our graduate intake – up from 175 two years ago to 193 in the past year. The appointment of 50 'university champions' to manage relationships with careers advisers has been a great success; graduate applications are up by two-thirds.

We aim to recruit and develop outstanding people for our central support functions, recognising their value as business partners to the fee earners. The directors of HR and Marketing were both made partners during the year – reflecting the importance of these functions in the firm as well as the calibre of the people working there.

Across the firm, we are approaching an equal split on gender: at the year-end 47 per cent of our total population were female. The year's graduate intake was a little less balanced – 42 per cent were female – but the trend continues to improve: two years ago the figure was 35 per cent.

During the year we completed our Values Based Leadership programme, designed to enhance women's career potential in the firm. We realise, though, that there is still a long way to go to reduce male dominance.

As our clients become ever more international, we need a more international workforce. We are stepping up our intake of talented people from overseas, and are currently seeking government accreditation to streamline the issue of visas and permits.

Our Commercial Trainee Scheme is tapping into a broader pool of talent by offering a professional career to people with A levels or equivalent qualifications. Last year we took on 15 trainees, of whom 12 have already progressed to our graduate scheme.

Our people

Developing outstanding people

To deliver outstanding service, we have to keep developing our commercial, technical and leadership skills. To help us do this we have a specialist team under a new Head of Learning and Development. Half the team have a diagnostic role – getting close to the business groups and identifying the critical skills for continued success. The others design and deliver the learning materials.

This year will see the launch of The Academy; a structured, firm-wide approach to learning. We are investing in technology to give everyone online access to a personal training plan. Every job in the firm will have its own learning roadmap, and the training approach will combine classroom, e-learning and practical assignments.

In Energy for Clients, the year's most significant development initiative, we ran multimedia events to show staff and partners what we can do to enhance the way clients experience our service. Some 3,000 of our 3,300 people attended, as did many of our clients.

This has led directly to our Client Challenge. Every business unit has committed to an action plan for engaging clients. Their success will be measured through our Client Listening Programme research and, ultimately, the revenue increases they achieve.

Clients for Life is the third part of our client engagement programme. Launched in 2008, it aims to help partners and managers to build long-term client relationships. As with the award winning Energy for Clients initiative, business units commit to follow-up action.

Our technical excellence was underlined by another first-class set of results in professional examinations. We further increased our pass rates in the ACA Professional and Advanced stages, exceeding the national average by as much as 13.5 per cent in the Professional Stage exams.

UK and international secondments continue to be popular career development options and are helping us become a more joined-up organisation. We expect to increase the level of secondments this year – particularly to benefit from the network's strength in China, where BDO International is growing rapidly.

Retaining outstanding people

We were again the only accounting firm to feature in the FT Top 50 Best UK Places to Work. We also won the Accountancy Age Employer of the Year Award for an unprecedented third time. We received a fourth successive listing in The Sunday Times 100 Best Companies to work for, and the award for Outstanding Employer of Choice at the Thames Valley Business Awards.

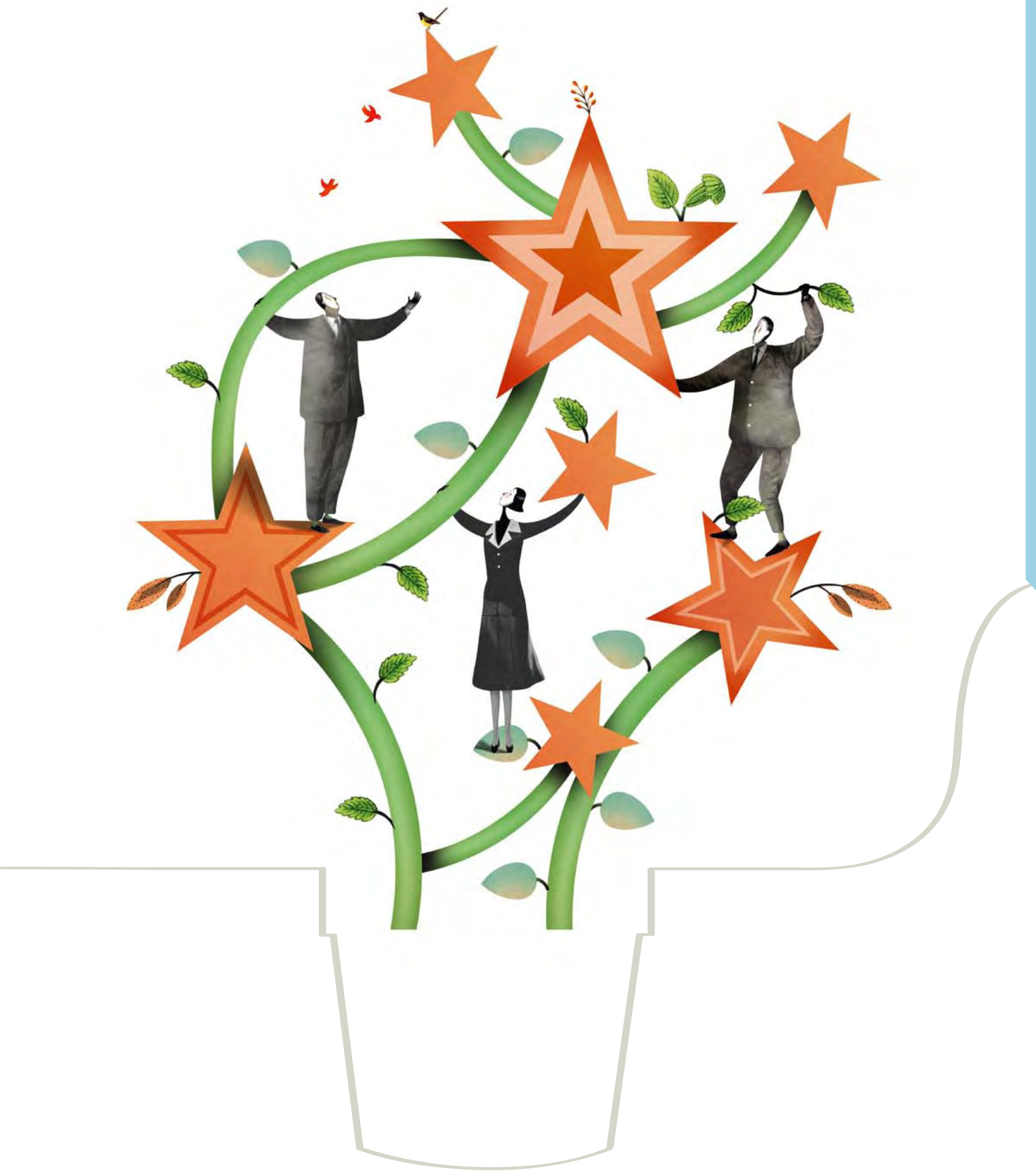
These accolades recognise our focus on being a good employer and our substantial investment in technology to enable people to work more flexibly without compromising client service. They also reflect continuing investment in first-class offices – during the year we moved to new premises in London, Leeds and Glasgow. We want our people to take pride in their workplace.

Over the past few years our annual PULSE staff attitude survey has shown steadily rising commitment and satisfaction. For 2008 we increased its focus on perceptions of client service. Our scores remained high relative to comparable firms – we are still in the UK top decile – but there were also some areas of concern. Notably, there was greater awareness of the need to focus more on client service, and a clear demand for more internal communication – and we are responding accordingly.

Staying in touch

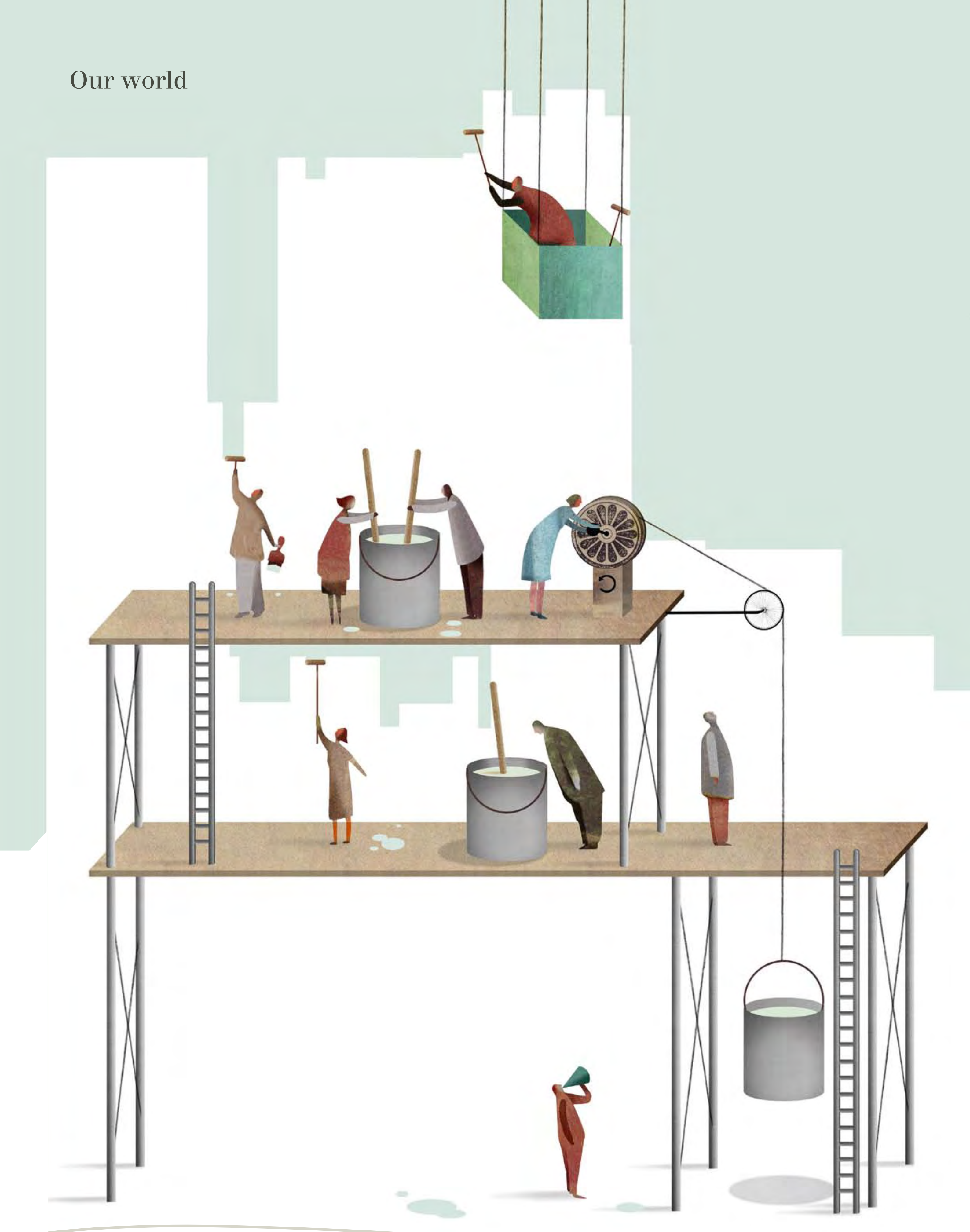
Not everyone spends their entire career with us and our alumni often become important clients. We have around 3,000 active contacts. Many refer both work and people to us. We aim to reciprocate with a growing range of support and benefits through our alumni programme. We appointed a dedicated alumni officer last year and have doubled the number of active contacts. In February 2007, we launched a web portal for alumni; over 1,000 have registered so far.

"We're investing in technology to give everyone online access to a personal training plan."



We can all make a difference. And we're finding more ways to do it.

Our world



Focus on corporate responsibility

Our approach to corporate responsibility focuses on support for local communities and managing our environmental impact. In both areas, the basic building blocks of our current policies were put in place in 2006. Since then we have been developing programmes to put those policies into practice.

We are encouraged by what has been achieved so far. For the first time we are listed in the Top 100 Companies That Count Corporate Responsibility Index, compiled annually by Business in the Community. This is a rigorous assessment of companies' corporate responsibility in the workplace, environment, community and marketplace. We were the most-improved entry in the 2007 index, earning a Silver ranking.

Responsibility in the community

Volunteering is a cornerstone of our community activity. We offer six paid days a year for voluntary work to everyone in the firm. During 2007/08, 459 staff and partners put in over 6,000 hours of voluntary activity, an excellent result for a policy that has been in place for just 18 months.

While our policy continues to empower individuals to choose the specific causes they would like to support, our strategic focus is on community education. As a business we depend on being able to recruit from an educated workforce. We recognise the opportunity for our people to act as role models for young people, raising their educational and career aspirations. We have therefore been developing more projects in these areas in the last year.

The organisation We Are What We Do (WAWWD) is working with the Department for Children, Schools and Families to promote activities in schools based on its book Teach Your Granny to Text and Other Ways to Change the World. Volunteers from BDO Stoy Hayward have been running school assemblies and workshops in support of a WAWWD national competition for 7-18 year olds.

We are also building partnerships with local schools. In London, for example, we have pledged to support reading and numeracy projects in a primary school, and mentoring and work-related learning in a secondary school.

In Scotland our staff regularly assist with accountancy tutorials at Glasgow University, a successful arrangement that has been in place for over two years.

The firm has also made a five-year financial commitment to the ICAEW Foundation. Recently established by the Institute of Chartered Accountants in England and Wales. The foundation aims to help shape the future of the profession by providing educational bursaries and prizes for academic achievement. In addition, it funds business research and teaching fellowships for practising accountants.

Individuals and groups get involved in a variety of volunteering activities ranging from coaching staff in a homelessness charity, to preparing teenagers for the Duke of Edinburgh Award, to building fences for the National Trust in Hatfield and clearing a canal near Reading. One group of 12 organised a trek to an Ethiopian village isolated by the civil war, taking doctors and medical supplies in 2006 and again in 2007. The group raised well over £20,000 for their trip and are planning a further expedition.

Charitable donations were up 34 per cent on 2006/07. Including contributions from the firm's charitable foundation and staff, we raised nearly £270,000 in 2007/08. Charity contributions through our Give As You Earn scheme have grown, while our fund matching scheme contributed over £53,000 to individuals' own sponsorship initiatives.

Our world

Responsibility for the environment

Our third annual environmental audit was completed in August 2008. As an office-based business, we affect the environment primarily through our energy consumption and staff travel.

In 2007/08 our total CO_2 emissions were 11,209 tonnes – equivalent to 3.3 tonnes per person. This remains considerably less than the average for UK office-based workers, which is estimated to be between five and six tonnes, according to The Carbon Neutral Company. Many of our offices have moved into more environmentally efficient premises over the last 12 months, and staff are responding to our campaign to promote an environmentally aware culture. Our environmental management systems continue to evolve and we are confident of further substantial improvement in the years to come.

Our new London office at 55 Baker Street is rated as excellent under the Building Research Establishment Environmental Assessment Method.

The design has many environmentally friendly features; for instance, 90 per cent of floor space is within seven metres of a natural source of light. Over 50 per cent of the original structure was retained, avoiding a huge amount of landfill and energy expenditure.

We negotiated demanding environmental targets for procurement and recycling, ensuring that everything from building materials to furniture was as environmentally sound as possible. Alongside our build contractors, Overbury, we achieved an unprecedented 68 per cent recycling rate for construction materials.

The Edinburgh Centre for Carbon Management assessed the entire project's carbon footprint at 1,640 tonnes of CO_2. This estimate, was based on 1,800 data points, including building workers' commuting journeys, vehicle deliveries and, unusually, the embodied energy of the materials being installed. We bought carbon offsets to neutralise the net impact.

> "BDO Stoy Hayward's courage and farsightedness certainly turned heads in our organisation, we are now proposing these higher standards to other major clients."

Ricardo Rizzi. Environmental Manager, Overbury

"BDO Stoy Hayward's courage and farsightedness certainly turned heads in our organisation," says Overbury's Environmental Manager, Riccardo Rizzi. "We are now proposing these higher standards to other major clients."

Environmental sensitivity is increasingly considered at all levels. For example, to reduce the carbon impact of staff commuting we have introduced a scheme which subsidises the cost of buying a bike for travel to work. The response has been excellent, with a four per cent uptake across the firm in the first year of the scheme.

Managing our environmental footprint

We aim to apply consistent corporate responsibility values to the way we buy goods and services. This report for example, like our other publications, is printed on 80 per cent recycled and 20 per cent chlorine-free FSC-certified paper stock.

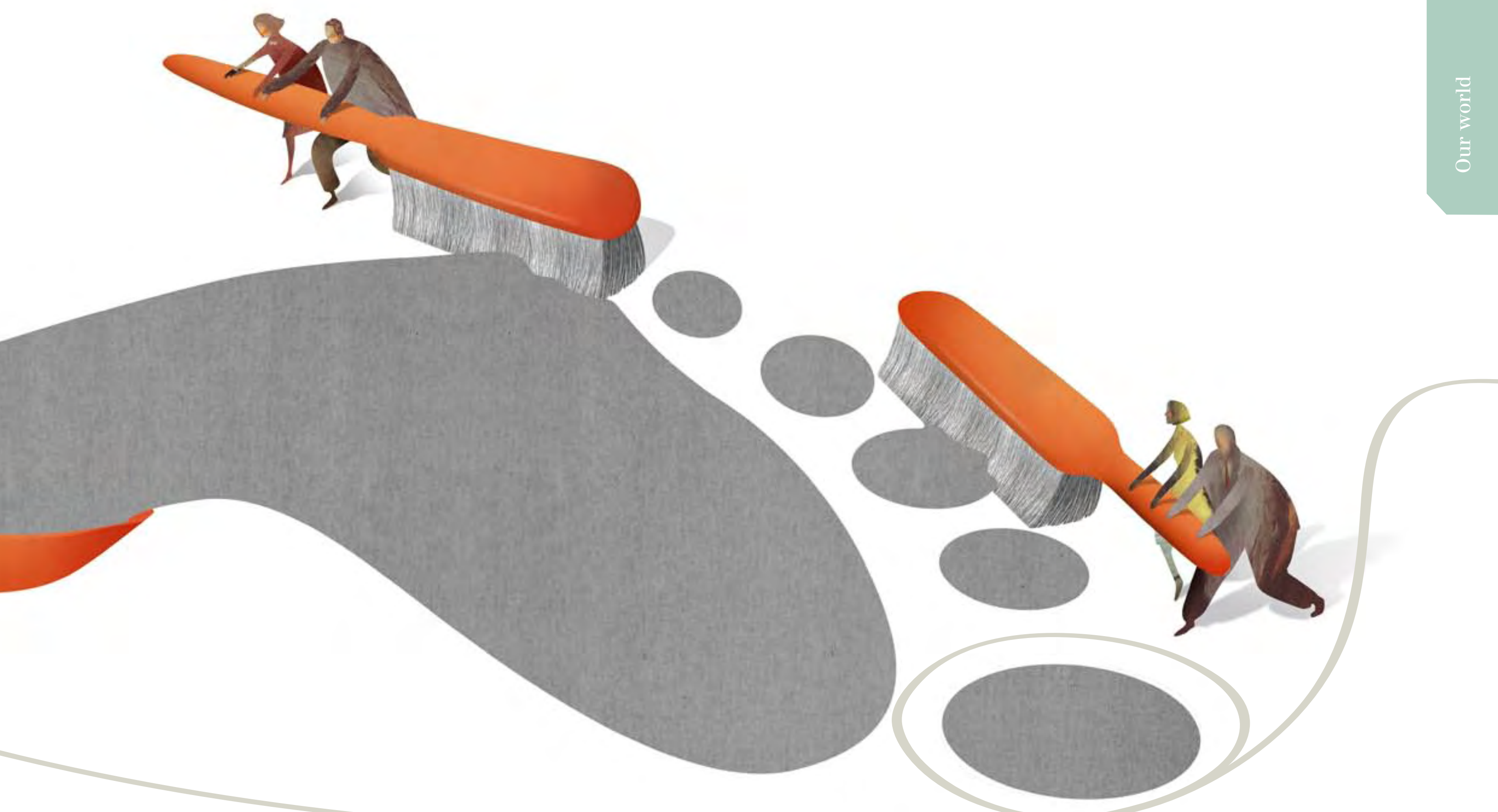
Offsetting our footprint

Last year was our first as a carbon neutral organisation. We partnered with a leading climate consultancy business to buy our offset credits. As well as the environmental benefits of being carbon neutral there are employee engagement and social benefits. We involved our people in the process by asking them to vote on the offset projects we should support.

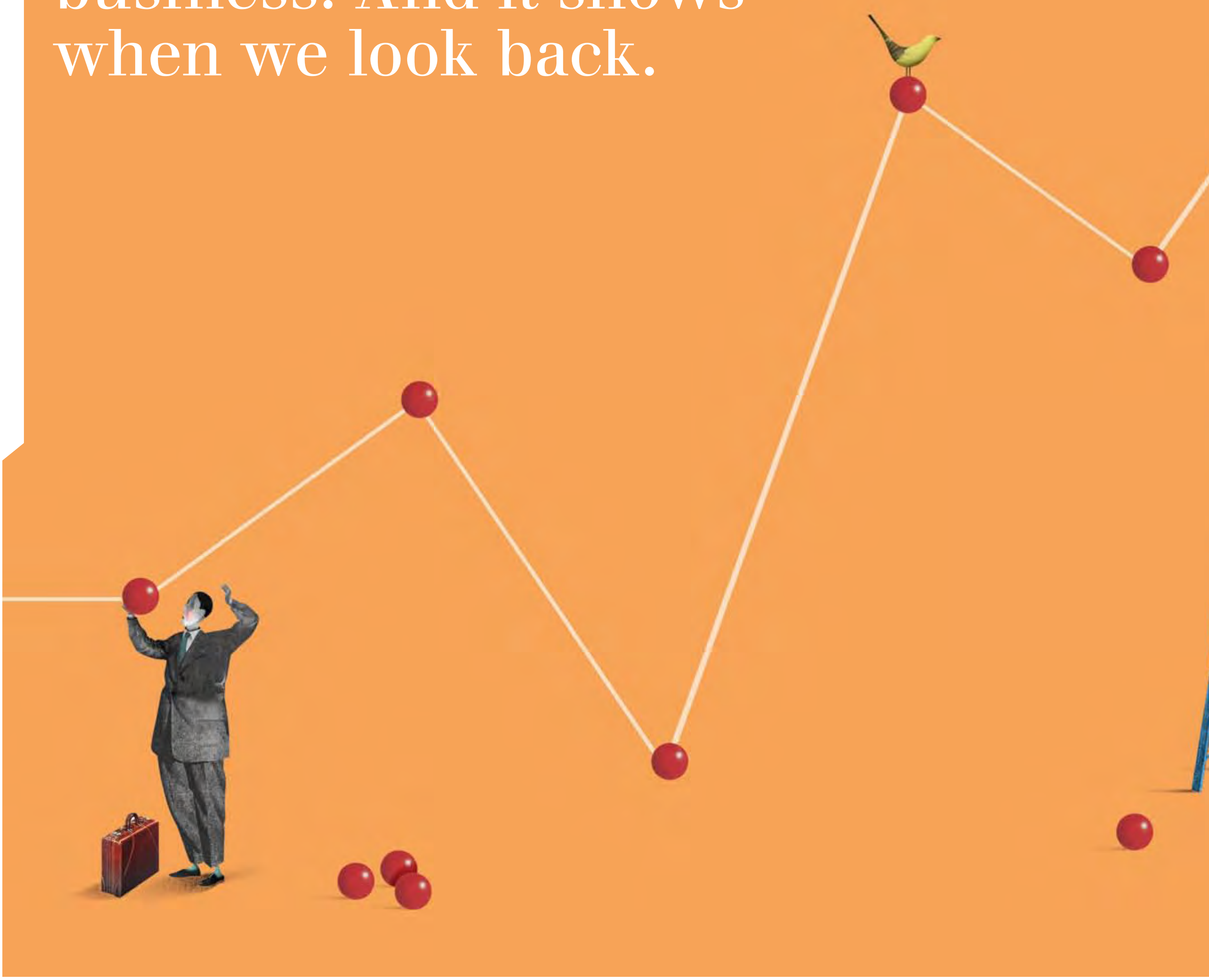
We support Business in the Community and belong to its May Day Network of organisations committed to collectively tackling climate change. As part of this we have committed to continue to measure, reduce and report on our carbon footprint, and encourage both suppliers and staff to reduce their carbon impacts.

Outlook

We have made huge strides in our corporate responsibility journey over recent years, especially in terms of embedding community volunteering and environmental awareness within the culture of the organisation. Our focus is now on ensuring that we realise the value from our efforts, and maximise the benefits both internally and externally. We strive to stay ahead of the market in the evolving corporate responsibility landscape, continually reviewing our activity and engaging with our peers in helping to drive forward positive change.



We’re a forward-looking business. And it shows when we look back.



Our performance

Our performance
Performance snapshot

Seven indicators help us monitor the firm's progress. As well as measuring financial performance they also track how well we are doing in qualitative terms. Our non-financial indicators ensure we stay focused on improving quality. We benchmark our performance with sophisticated questionnaires to measure client satisfaction and staff loyalty.

#1
National turnover* £m

353.1

2008	353.1
2007	317.4
2006	288.1

The group put in a strong performance this year in challenging market conditions. Our growth in turnover, at 11 per cent exceeded our performance last year. This continued growth reflects our ongoing commitment to quality service.

National turnover includes £10.4m that relates to our Belfast firm which operates under a licence and is excluded from our Consolidated Financial Statements.

#2
Profit** £m

65.0

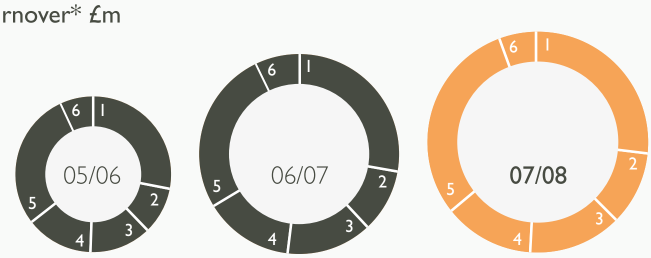
2008	65.0
2007	72.5
2006	70.0

As expected, overall profit fell back during the year due to planned investments. This masked outstanding contributions from individual service streams.

We are continuing to invest in long-term, sustainable growth. This year we incurred significant one-off charges from the move to our new London offices.

Key investments
- Our people.
- New and expanded offices.

#3
Analysis of national turnover* £m



	05/06 restated***	06/07 restated***	**07/08**
1 Audit	80.9	88.7	**95.8**
2 Business Restructuring	28.5	32.3	**36.7**
3 Corporate Finance	37.0	44.2	**47.5**
4 Forensic Services	39.8	46.2	**46.1**
5 Tax	82.4	83.5	**107.4**
6 Investment Management	19.5	22.5	**19.6**

* Including our Belfast firm which operates under a licence.
** Profit for the financial year before members' remuneration and profit shares.
*** Certain sub-streams have been reclassified between Audit, Business Restructuring and Forensic Services. Comparatives have been restated accordingly.

#4
Staff/partner ratio (at year-end)

12:1

07/08	12:1 (3,042 staff, 250 partners)
06/07	13:1 (2,957 staff, 226 partners)
05/06	13:1 (2,845 staff, 216 partners)

A key factor in client satisfaction is our unusually high number of partners relative to staff. This helps us to stay close to clients and ensures that our work is truly led by our most senior people. Over the year we increased the number of partners by 24 through internal promotions and lateral hires – an uplift of over 10 per cent. This further improved the partner/staff ratio to 12:1.

Our employment proposition attracts top people

- FT 50 Best Workplaces in the UK 2008.
- The Sunday Times 100 Best Companies to Work For 2008.
- The Times Top 50 Where Women Want to Work 2007.
- Accountancy Age Employer of the Year 2007.

#5
People proud to work here %

88

07/08	88
06/07	91
05/06	91

Our distinctive culture emphasises individual difference and personal responsibility. In our annual staff survey the overwhelming majority of our people again told us that they endorse our values and enjoy working here. The proportion of staff saying they took pride in the firm, although still high, was lower than in previous years. We have examined this year's survey in detail to establish the reasons for this and are responding with measures that address staff concerns.

2007/08 staff survey highlights:

- 84 per cent say we're a good place to work.
- 92 per cent are committed to our goals.
- 95 per cent fully support our values.

#6
Overall client satisfaction

8.0/10

07/08	8.0/10
06/07	7.8/10*
05/06	7.6/10*

Our annual client survey has shown rising satisfaction levels since its inception, reflecting our responsiveness to client concerns. This year is no exception, but we have also extended the range of clients we survey to encompass the entire business, not just audit and tax.

2007/08 client survey highlights:

- 93 per cent of our clients said they would definitely or probably recommend us.
- 84 per cent of our clients feel that the quality of our advice or service has improved or stayed the same.

* Audit and tax clients only

#7
Carbon emissions (tonnes)

11,209

07/08	11,209 (3.3 tonnes/employee)
06/07	11,447 (3.6 tonnes/employee)

Our third annual independent environmental audit reported a reduction in our emissions. Carbon footprint per employee fell to 3.3 tonnes. We anticipate further future improvements following our moves to more environmentally efficient premises and our success in promoting an environmentally aware culture. We undertook a large number of office moves this year and chose to offset the carbon footprint from the fit outs (1,837 tonnes).

Our performance
Business stream highlights

Audit
Revenue growth – 8 per cent

- In challenging market conditions we maintained revenue growth.
- We performed strongly in key sectors, especially real estate, retail, financial services and natural resources.
- New clients included Atlas Estates, Specsavers International, Trans Siberian Gold, Dar Capital, Intersurgical Group, Musto and Soho House.
- Four new partners joined the team, including two lateral hires. There are now 94 partners nationally, dedicated to audit.
- We are making progress internationally, especially in the former Soviet Union. We gained audit commissions from Kazakh groups, including Kazakhstan Kagazy, and Roxi Petroleum.
- In the 2008 Accountancy Age Awards we were named Audit Team of the Year.

"Our clients tell us that our partner-led approach with a deep understanding of their businesses – which in turn means robust, high-quality audits – is important. In a stretched market, continuing to improve our operational efficiency is high on the agenda, but so is our medium-term growth – we plan to add up to 30 more partners over the next three years."

Tony Perkins
Head of Audit

Business Restructuring
Revenue growth – 14 per cent

- Our operational performance improvement and working capital management services have developed strongly.
- We opened a business restructuring practice in Cambridge and launched a national healthcare advisory practice.
- We were appointed administrators to Dixon Motors and Lambert Howarth.
- We placed 14 secondees in financial institutions and were re-appointed to two Barclays Bank panels.
- The national court workstream continues to grow. We established a dedicated court work business development team in London.
- We have been collaborating with BDO Member Firms in the Far East, the Cayman Islands and the US.

"Tighter credit conditions next year will lead to more financially troubled businesses with less room for manoeuvre. Clients will want to be able to rely on senior advisers with the commercial insight to take swift, effective action. Our people have the skills and experience to get the best possible outcomes for struggling businesses."

Shay Bannon
Head of Business Restructuring

Corporate Finance
Revenue growth – 7 per cent

- We were Growth Investor's AIM Accountant of the Year and advised on Acquisitions Monthly Mid-market Deal of the Year for the second year running.
- We are building strong commercial relationships with a number of leading private equity firms.
- Regional teams have led some major transactions. Leeds worked on acquisitions with Stobart Group. Birmingham led the sale of Tyrrells Potato Chips. Southampton advised on the sale of TSS.
- We won the 2008 Accountancy Age Award for Corporate Finance Deal of the Year.

"We have high hopes for our debt advisory business in the UK next year. We will also be more proactive in the international arena. We're marketing our transaction services in China and we're developing promising bilateral opportunities with our BDO International partners in the US, Far East, the Middle East and selected European countries."

Stephen Bourne
Head of Corporate Finance

It's a challenging marketplace, full of opportunities. We're meeting the challenges with novel solutions.

Forensic Services

Revenue growth – 0 per cent

- We now have the largest dedicated white-collar fraud investigation team in the UK. Our team of over 20 dedicated staff have worked in more than 40 countries.
- We are the market leader in restraint and confiscation services.
- Our reputation as leaders in forensic accounting has led to large multinationals outsourcing forensic services to us ahead of Big Four firms.
- A substantial proportion of our expert witness work relates to accountants' negligence cases. Our expert witnesses have given evidence more than 30 times during the last year.
- We publish the highly respected FraudTrack survey, now in its fifth year.

"With the police and the courts too stretched to make white-collar crime a priority, the private sector is being asked to step into the breach. Fraud is on the increase and next year there will be even more as the downturn starts to bite. We're enlarging the team to meet continuing growth in demand."

Gervase MacGregor
Head of Forensic Services

Tax Services

Revenue growth – 29 per cent

- The practice has grown organically and through acquisitions. Five new partners joined the team increasing headcount to 643.
- We acquired Chiltern Plc, a leading independent tax adviser, and Lines Wilson, which boosted our private client practice.
- We have continued to strengthen our international tax offering. Big client wins include Mid Europa Partners, Imperial Tobacco and Hiscox.
- Our reputation as experts in R&D tax relief has led to claim reviews for Ultra Electronics.
- Our tax training department gained CIOT exemption from the ATT preliminary stage for CTA exams.
- In the 2008 Accountancy Age Awards we were named Tax Team of the Year.

"We favour simplification of the tax regime for our clients, but that looks unlikely. Tax is going to get more complicated. Today, at least 40 per cent of our clients need international advice and that figure will increase. We're growing the practice with innovative, through-the-line services for owners, corporates, investors and management teams."

Paul Eagland
Head of Tax Services

Investment Management

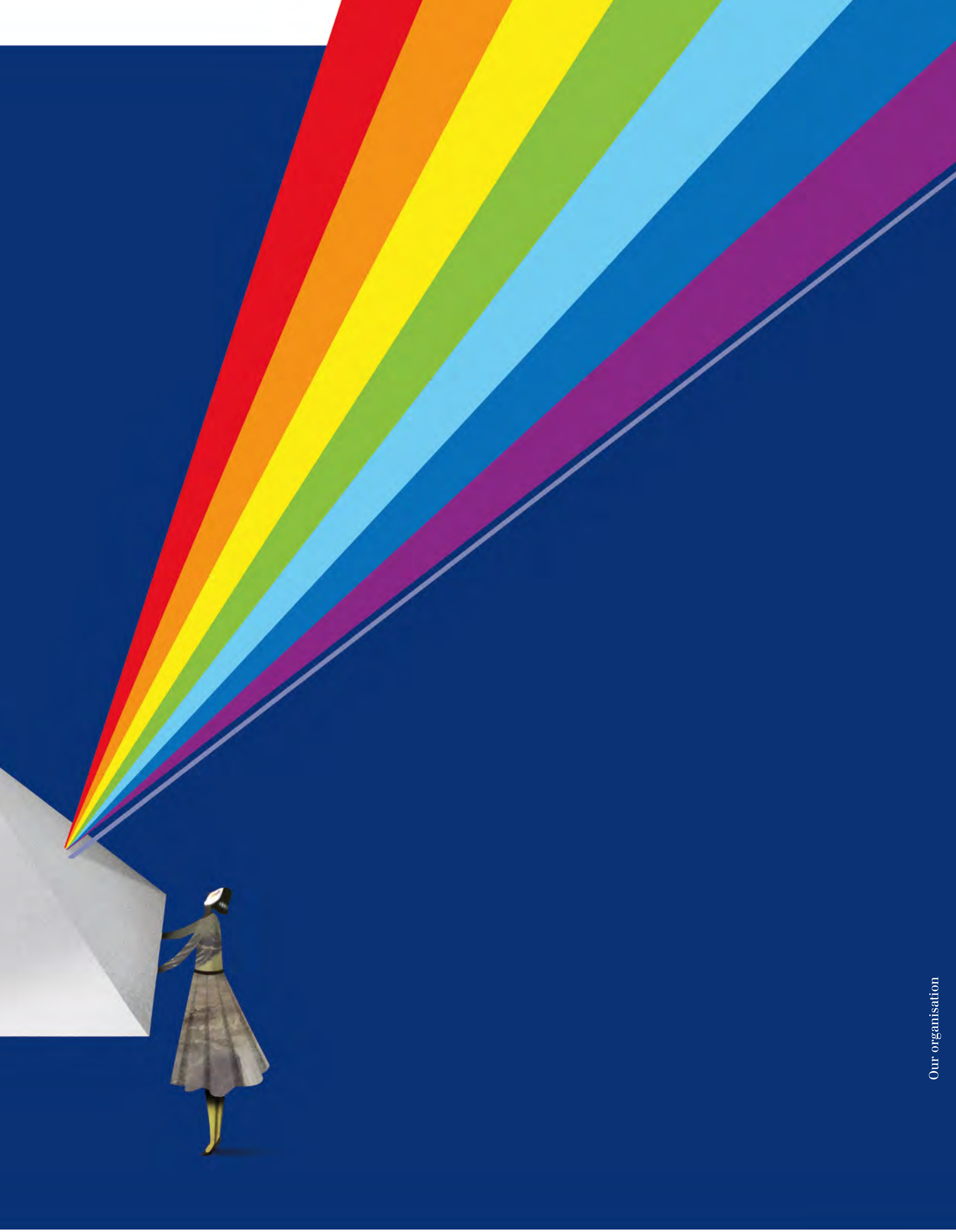
Revenue decline – 13 per cent

- We increased sustainable fee-based revenues by over 30 per cent. Total revenues declined by 13 per cent, reflecting the high level of performance and project related fees in the previous year.
- We acquired Wolanski Checkley Fisher, a highly regarded firm of some 30 actuaries and pension specialists, allowing us to take on larger and more sophisticated assignments.
- We were appointed as investment advisers to the newly launched Scandinavian Strategic Property Fund, which invests in commercial property developments in Scandinavian countries, and the Hyde Park Fund, which invests in prime Central London residential properties.
- We are advisers to the Fitzwilliam Commodity Plus Fund, which won the European Fund of Hedge Funds award for the best energy/commodity fund in 2007.
- Our determination to deliver the highest standards in client service, and the professionalism with which we conduct our business, has been recognised with the award of the prestigious Corporate Chartered Financial Planner accreditation.

"On the private client side, the starting point for us is a complete understanding of the financial planning needs of our clients. From there we provide solutions based on independent and professional advice. For our corporate clients, we offer a comprehensive range of solutions in the area of pensions and employee benefits, designed to provide cost effective solutions to clients and enhance their employment propositions."

Richard Spilg
Chief Executive BDO Stoy Hayward Investment Management Limited

Operating transparently suits us. It supports our value of working with honesty and integrity.



Our organisation

Our organisation

Leadership and governance

The Leadership Team sets business strategy and ensures its implementation. It meets once a month, more frequently if needed. It comprises the Senior Partner, the Managing Partner, a group of partners representative of the firm's structure, and two non-executive directors, as set out below:

Senior Partner	Dermot Mathias
Managing Partner	Simon Michaels
COO, Clients and Markets, Head of North	Carl Williams
Head of South	Sophie Hill
Head of Audit	Tony Perkins
Head of Tax	Paul Eagland
Head of Advisory	Gervase MacGregor
Head of People	David Anderson
Non-Executive Director	Lord David Currie
Non-Executive Director	Lesley MacDonagh

We have enlarged the Leadership Team to accommodate the increased scale of our business and our future growth ambitions. The firm appointed two highly experienced non-executive directors in July 2008 to work with the team on the further development of the business and its governance and procedures.

Clients are our core concern: having a larger team makes it easier for section heads to stay engaged with clients while fulfilling their firm-wide responsibilities.

We aim to go to market as one firm, offering a seamless, integrated service for clients. The structure of the Leadership Team is designed to promote collaboration between streams, offices and sectors from the highest level. Its members represent our people, our clients, our key service lines and the main geographic regions.

Chief Operating Officer (COO) is a newly created role, filled by a member of the previous Management Executive Team. The COO supports the Managing Partner in the operational running of the business. He is advised by the Operations Board, a new forum including representatives from across the firm's core functions.

Head of Advisory, another new role, oversees Business Restructuring, Corporate Finance and Forensics. This appointment, along with the inclusion of our Head of Tax in the Leadership Team, means that all our core services are represented at the highest level.

Recognising the growth and importance of our regional business, two members of the Leadership Team – Head of North and Head of South – oversee and support the growth of our regional strategic business units.

The emphasis on our people continues, with the Head of People providing a specific voice for this aspect of our business.

The Leadership Team reports twice a year to partners, summarising the development of the business and setting out key objectives for the next six months. The Managing Partner makes an annual presentation to all employees: this provides an insight into the firm's strategy and operations and gives individuals the opportunity to raise questions and issues directly.

> "We recognise that our long-term future depends on identifying and managing risks effectively, so we work hard to ensure a high level of risk awareness throughout the firm."

Martin Kaye, Head of Risk Management

Internal controls and risk management

The Leadership Team has overall responsibility for the firm's system of internal control and for reviewing its effectiveness. Senior management is responsible for day-to-day implementation and monitoring.

Our internal control system aims to ensure that we maintain effective and efficient operations, that we have high-quality internal and external reporting, and that we comply with all applicable laws and regulations and internal policies. The system is designed to manage, rather than eliminate, the risk of failure. It therefore provides reasonable, but not absolute, assurance against any material misstatement or loss.

No significant control failings or weaknesses have been identified during the period under review.

Supporting a risk management culture

Our risk management processes recognise four principal areas of risk: strategic, financial, operational, and professional.

Addressing risk through systems of internal control

Our internal control systems include the following policies and procedures.

- Strategic risk is the responsibility of the Leadership Team. It is regularly reviewed at Leadership Team meetings, through consultation with the Partnership Council and through an annual presentation to all members.
- Financial and operational risks are the responsibility of the Finance Partner and Managing Partner. The Audit Committee reviews the management of these risks and reports to the Partnership Council.
- There are established and comprehensive procedures for financial reporting, financial risk management, budgeting and forecasting. In addition, there are strict controls and procedures over authorisation of expenditure, including capital and project investment.
- Operational risk is mitigated by a system of formal controls and processes and, in part, by disaster recovery and business continuity plans, which are subject to periodic review. A framework document, which captures our operational risks and the control measures in place, and apportions management responsibility, is regularly reviewed, updated and tested.
- The Risk Management Committee is charged with managing professional risk. It ensures that the quality, objectivity and independence of client service is maintained through well-managed client acceptance and engagement procedures, that guidance is published on the conduct of all professional services and that rigorous processes are in place to identify and resolve conflicts of interest. All partners and staff are required to submit annual confirmations of regulatory compliance which include statements of independence.

Transparency statement

The firm is committed to quality, honesty and integrity in all its dealings. It recognises the valuable role that transparency plays in sustaining levels of confidence in the accounting profession.

Therefore, although we are not required to publish our transparency statement until next year, we continue to provide the information required under the applicable regulations.

This report defines the structure of our UK firm and international network, our governance structure and internal quality control systems. It also includes a description of our independence compliance, the public interest entities we work with and partner remuneration.

The report can be viewed and downloaded at: www.bdo.co.uk/transparencystatement

...collaboration between streams, offices and sectors...

We let the figures speak for themselves – like our people.

Registered office
55 Baker Street, London W1U 7EU
Registered number
OC305127
Auditors
PricewaterhouseCoopers LLP,
Chartered Accountants
and Registered Auditors
1 Embankment Place, London, WC2N 6RH

Annual report and financial statements for the 53 weeks ended 4 July 2008

Our figures
Report to the members
for the 53 weeks ended 4 July 2008

The Leadership Team presents its report, together with the audited consolidated financial statements of BDO Stoy Hayward LLP, for the 53 weeks ended 4 July 2008 (the comparative period is for the 52 weeks ended 30 June 2007).

Principal activities, significant changes and future developments
The principal activity of BDO Stoy Hayward LLP (the 'LLP') is the provision of professional services to clients.

The consolidated financial statements comprise the financial statements of the LLP together with its subsidiary undertakings (the 'group'). The principal subsidiary undertakings of the LLP are set out in note 11 to the financial statements. The LLP has no branches outside the UK and is the UK representative firm of the BDO International network.

The LLP has granted a licence to a separate firm in Belfast which operates under the name 'BDO Stoy Hayward' but is not part of the group and accordingly the results of the Belfast firm are not included within the LLP's consolidated financial statements. If the Belfast firm's turnover is added to the group's turnover for the financial year, the resulting national turnover is £353.1m (2007 – £317.4m).

On 12 October 2007 the group acquired the tax business of Chiltern Plc, the UK's largest independent tax advisory firm.

Following the election of a new Managing Partner, the Management Executive has been succeeded by the Leadership Team with effect from 5 July 2008.

There have been no events since the balance sheet date which materially affect the position of the group.

Results
The group's consolidated profit and loss account for the 53 weeks ended 4 July 2008 is set out on page 47.

Designated members
As members of the Management Executive, the following individuals were designated members during the financial year:
- Dermot Mathias
- Jeremy Newman
- Tony Perkins
- Mark Sherfield
- Carl Williams

Following the succession of the new Leadership Team, from 5 July 2008 the designated members are as follows:
- David Anderson
- Paul Eagland
- Sophie Hill
- Gervase MacGregor
- Dermot Mathias
- Simon Michaels
- Tony Perkins
- Mark Sherfield
- Carl Williams

Members' profit shares
Members are remunerated solely out of the profits of the partnership and are personally responsible for funding their pensions.

The Partnership Council sets members' profit shares in advance and reviews the allocation every two years.

Members' profit shares comprise:
- interest on members' balances
- a fixed amount
- a number of points, the value of which is dependent upon the level of profit achieved.

Profits are allocated in full and there is transparency amongst the members of the total income allocated to each individual.

Drawings

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

Auditors

PricewaterhouseCoopers LLP was re-appointed as auditor to the LLP on 9 November 2007. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the next members' meeting.

Statement of members' responsibilities in respect of the financial statements

The Companies Act 1985, as applied to Limited Liability Partnerships, requires the members to prepare financial statements for each financial year that give a true and fair view of the state of affairs of both the LLP and the group and of the profit or loss of the group for that period.

In preparing these financial statements the members are required to:

- select suitable policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the LLP or group will continue in business.

The members are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985, as applied to Limited Liability Partnerships. They are also responsible for safeguarding the assets of the LLP and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the LLP's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

These responsibilities are fulfilled by the Leadership Team on behalf of the members. The Leadership Team confirms it has complied with the above requirements in preparing the financial statements.

On behalf of the Leadership Team

Dermot Mathias, Senior Partner

Simon Michaels, Managing Partner
18 November 2008

Independent auditors' report to the members of BDO Stoy Hayward LLP

We have audited the financial statements for the 53 weeks ended 4 July 2008, which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the LLP balance sheet, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of members and auditors

The members' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Members' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the members of the partnership in accordance with the Companies Act 1985 as applied to limited liability partnerships by the Limited Liability Partnerships Act 2000 and regulations made thereunder, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as applied to Limited Liability Partnerships. We also report to you if, in our opinion, the LLP has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Senior and Managing Partners' statement, the sections entitled Our clients, Our people, Our world, Our performance, Our organisation, and the Report to the members. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the LLP and the group as at 4 July 2008 and of the profit and cash flows of the group for the 53 weeks then ended
- the financial statements have been properly prepared in accordance with the provisions of the Limited Liability Partnerships Regulation 2001 made under the Limited Liability Partnerships Act 2000
- the information given in the Report to the members is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants
and Registered Auditors, London
18 November 2008

Consolidated profit and loss account

for the 53 weeks ended 4 July 2008

	Note	2008 £m	2007 £m
Turnover	2	**342.7**	307.1
Other external charges: expenses and disbursements on client assignments		**(8.7)**	(7.6)
Net fees		**334.0**	299.5
Operating costs			
Staff costs	3	**(165.5)**	(142.3)
Depreciation and amortisation		**(8.7)**	(6.3)
Other operating costs		**(91.4)**	(77.2)
Operating profit	2, 4	**68.4**	73.7
Net interest payable	5	**(2.9)**	(0.4)
Profit on ordinary activities before taxation		**65.5**	73.3
Tax on profit on ordinary activities in corporate subsidiaries	6	**(0.1)**	–
Profit for the financial year after taxation		**65.4**	73.3
Minority interests		**(0.4)**	(0.8)
Profit for the financial year before members' remuneration and profit shares	16	**65.0**	72.5
Members' remuneration charged as an expense	16	**(65.0)**	(72.5)
Profit for the financial year available for discretionary division among members		**–**	–

The results for this year and the prior year relate to continuing activities.

Consolidated statement of total recognised gains and losses

for the 53 weeks ended 4 July 2008

	Note	2008 £m	2007 £m
Profit for the financial year available for discretionary division among members		**–**	–
Pension scheme net actuarial (loss)/gain	23	**(0.6)**	4.5
Total recognised gains and losses relating to the financial year		**(0.6)**	4.5

Our figures

Our figures
Consolidated balance sheet
at 4 July 2008

	Note	2008 £m	2008 £m	2007 £m	2007 £m
Fixed assets					
Intangible assets	9		**34.5**		9.6
Tangible assets	10		**40.0**		12.5
Investments	11		**0.1**		0.3
			74.6		22.4
Current assets					
Debtors	12	**126.0**		112.5	
Cash at bank and in hand		**12.3**		13.6	
		138.3		126.1	
Creditors: amounts falling due within one year	13	**(75.1)**		(40.8)	
Net current assets			**63.2**		85.3
Total assets less current liabilities			**137.8**		107.7
Creditors: amounts falling due after more than one year	14		**(41.2)**		(8.6)
Provision for liabilities	15		**(19.3)**		(17.0)
Minority interests			**(0.5)**		(0.7)
Net assets excluding pension asset			**76.8**		81.4
Pension asset	23		**1.0**		–
Net assets attributable to members			**77.8**		81.4
Loans and other debts due to members					
Members' capital classified as a liability under FRS 25	16		**77.8**		81.4
Total members' interests					
Loans and other debts due to members	16		**77.8**		81.4

The financial statements on pages 47 to 68 were approved and authorised for issue on 18 November 2008 and signed on behalf of the members of BDO Stoy Hayward LLP by:

Simon Michaels, Managing Partner

Mark Sherfield, Finance Partner

LLP balance sheet

at 4 July 2008

	Note	2008 £m	2008 £m	2007 £m	2007 £m
Fixed assets					
Tangible assets	10		39.9		12.4
Investments	11		10.7		8.5
			50.6		20.9
Current assets					
Debtors	12	148.4		114.5	
Cash at bank and in hand		2.5		1.9	
		150.9		116.4	
Creditors: amounts falling due within one year	13	(71.0)		(37.2)	
Net current assets			79.9		79.2
Total assets less current liabilities			130.5		100.1
Creditors: amounts falling due after more than one year	14		(41.2)		(8.6)
Provision for liabilities	15		(13.1)		(10.9)
Net assets excluding pension asset			76.2		80.6
Pension asset	23		1.0		–
Net assets attributable to members			77.2		80.6
Loans and other debts due to members					
Members' capital classified as a liability under FRS 25	16		77.2		80.6
Total members' interests					
Loans and other debts due to members	16		77.2		80.6

The financial statements on pages 47 to 68 were approved and authorised for issue on 18 November 2008 and signed on behalf of the members of BDO Stoy Hayward LLP by:

Simon Michaels, Managing Partner

Mark Sherfield, Finance Partner

Our figures

Our figures
Consolidated cash flow statement
for the 53 weeks ended 4 July 2008

	Note	2008 £m	2007 £m
Net cash inflow from operating activities	20	**70.2**	71.7
Returns on investments and servicing of finance	21	**(3.8)**	(0.8)
Taxation	21	**–**	–
Capital expenditure and financial investment	21	**(29.1)**	(4.0)
Acquisitions and disposals	21	**(30.7)**	1.2
Transactions with members and former members	21	**(68.5)**	(71.6)
Cash outflow before financing		**(61.9)**	(3.5)
Financing	21	**47.6**	(4.6)
Decrease in net cash in the year	22	**(14.3)**	(8.1)

1 Accounting policies

The principal accounting policies used in the preparation of the financial statements for the 53 weeks ended 4 July 2008 are as follows:

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with generally accepted accounting standards and the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships'.

The group has adopted the Amendment to FRS 17 'Retirement Benefits' in the current year. This has had no material impact on either the profit or net assets of the group and has involved some minor changes to the disclosures made.

Basis of consolidation

The financial statements consolidate the results and financial position of the LLP and all its subsidiary undertakings (the 'group'), other than where the members consider that 'severe long-term restrictions' exist over the group's control of a subsidiary such that consolidation is not permitted under FRS 2, 'Accounting for Subsidiary Undertakings'. In addition, the group does not consolidate entities as prescribed by FRS 2 'Accounting for Subsidiary Undertakings', where it has control and a management role, but only a notional entitlement to economic benefit from these entities. Where this is the case such subsidiaries are accounted for at the cost of investment.

As permitted by Section 230 of the Companies Act 1985 no separate profit and loss account is presented for the LLP.

Turnover

Turnover represents the fair value of professional services provided during the year to clients. Turnover is recognised as contract activity progresses and the right to consideration is earned. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, skills and expertise provided and expenses incurred, but excludes VAT.

Turnover in respect of contingent fee assignments (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs and the fee is assured.

Turnover which has been recognised but not invoiced by the balance sheet date is included in debtors in 'accrued income'. Amounts invoiced in advance are included in 'accruals and deferred income'.

Goodwill

Goodwill arises on acquisitions and represents the excess of the fair value of the consideration given and associated costs over the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and written off on a straight line basis over its expected useful economic life and provision is made for any impairment in value. The expected useful economic life of goodwill is assessed for each acquisition individually and currently ranges from seven to ten years.

Tangible fixed assets

The cost of tangible fixed assets is written off by equal annual instalments over their expected useful lives. Cost includes expenditure that is directly attributable to the acquisition of the asset and any expected cost of reinstatement. The depreciation rates applied to tangible fixed assets are as follows:

Leasehold improvements	Five to fifteen years
Fixtures and fittings	Five to ten years
Computer equipment	Three years
Motor vehicles	18.75% of cost for the first four years and 6.25% of cost for the next four years

Leases

Any lease which entails taking substantially all the risks and rewards of ownership of an asset is treated as a finance lease, as detailed in SSAP 21 'Accounting for Leases and Hire Purchase Contracts'. The asset is recorded as a tangible fixed asset at its fair value and depreciated over its estimated useful life, or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rental payments are apportioned between the interest element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Operating lease incentives are spread over the shorter of the lease term and the period ending on the date from which it is expected that a prevailing market rent will be payable.

Investments

Fixed asset investments are included at cost less any provision required for permanent diminution in value.

Taxation

The taxation payable on the LLP's profits is a personal liability of the members during the year. Retention from profits earned up to the balance sheet date is made to fund payment of taxation on members' behalf.

Some of the companies included within these consolidated financial statements are subject to corporation tax based on their profits for the financial year.

Deferred tax is provided in full in respect of taxation of the subsidiary companies that is deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax balances are not discounted. Deferred tax assets are recognised where recoverability is reasonably certain.

The retention for taxation, which is included within members' interests, in the LLP also takes into account taxation recoverable or payable by the members, but deferred because of timing differences between the treatment of certain items for taxation and that for accounting purposes. Such provision is made to the extent that it is considered material in the context of the need to maintain an equitable treatment between members from year to year.

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Professional insurance

Provision is made on a case-by-case basis in respect of the cost of defending claims and, where appropriate, the estimated cost of settling claims where such costs are not covered by insurance. Outstanding claims are reviewed each year and adjustments to provisions are made as appropriate in the current year.

In common with comparable businesses, the group is involved in a number of disputes in the ordinary course of business, which may give rise to claims. The group carries professional indemnity insurance and no separate disclosure is made of the cost of claims covered by insurance as to do so could seriously prejudice the position of the group.

Property provisions

Provision is made for estimated dilapidations including reinstatement costs (where there is an obligation to restore premises to their original condition upon vacating them under the terms of the lease). The costs related to the repair and maintenance of equipment and properties that are used by the group and for which the group has responsibility to maintain or may be liable for dilapidation, are written off as they arise.

Provision has been made for all future net rental costs relating to properties which are not used by the group and annual costs are charged against this provision, with any difference between the estimated and actual costs being taken to the profit and loss account.

Allocation of profits and drawings

At the beginning of every second financial year the Partnership Council sets the level of profit allocations in advance in respect of the LLP's profits and the Management Executive (now Leadership Team), on an annual basis, sets the members' monthly drawings after considering the LLP's working capital needs. Accordingly the profit attributable to members is charged as an expense in the consolidated profit and loss account.

At the year-end, any undrawn allocated profits are included within loans and other debts due to members.

Pensions

The group operates both a defined benefit and a defined contribution scheme. Assets covering these arrangements are held in an independently administered fund.

The pension costs in the consolidated financial statements are determined in accordance with Financial Reporting Standard 17 'Retirement Benefits' as amended in December 2006 ('FRS 17').

In respect of the defined benefit scheme, formal actuarial valuations are carried out every three years. The last actuarial valuation was carried out as at 30 June 2006. An annual valuation is carried out by the scheme actuary at each year-end for the purposes of FRS 17. The group's profit and loss account includes any settlement gains or losses, the expected return on scheme assets and the interest cost on scheme liabilities. Actuarial gains and losses are recognised directly in members' interests through the statement of total recognised gains and losses.

Staff pension costs relating to the group's defined contribution scheme are charged to the profit and loss account as they are incurred.

Members are required to make their own provision for pensions and do so mainly through contributions to personal pension policies and other appropriate investments. Annuities to former partners and employees of the partnership have been provided in full within provisions for liabilities.

2 Segmental analysis

Turnover by origin arises entirely within the UK and the destination of turnover was primarily to UK clients.

Turnover is attributable to the following core streams of continuing business:

	2008 £m	2007 £m
Audit	**93.9**	87.1
Business Restructuring	**35.4**	30.8
Corporate Finance	**46.0**	42.4
Forensic Services	**45.3**	44.9
Tax Services	**104.0**	80.6
Investment Management	**18.1**	21.3
Turnover	**342.7**	307.1

An analysis of operating profit and net assets of the group across the streams is as follows:

	Operating profit		Net assets	
	2008 £m	2007 £m	2008 £m	2007 £m
Audit	**52.5**	48.6	**25.8**	24.8
Business Restructuring	**21.8**	19.6	**24.0**	22.6
Corporate Finance	**26.2**	25.6	**7.5**	9.6
Forensic Services	**24.1**	25.1	**12.7**	10.5
Tax Services	**64.5**	51.7	**31.0**	20.9
Investment Management	**5.9**	9.9	**8.7**	7.1
Operating profit/Net assets	**195.0**	180.5	**109.7**	95.5
Unallocated	**(126.6)**	(106.8)	**(31.9)**	(14.1)
Operating profit/Net assets	**68.4**	73.7	**77.8**	81.4

Operating profit is reported on a consistent basis which enables effective review of the streams. Unallocated items affecting operating profit represent central costs that are not directly attributable to the streams.

Net assets attributable to the streams include net trade debtors, accrued income and provisions for foreseeable losses. Unallocated assets and liabilities are not directly attributable to the streams.

Certain sub-streams have been reclassified between Audit, Business Restructuring and Forensic Services. Comparatives have been restated accordingly.

2 Segmental analysis (continued)

	2008 Acquisitions £m	2008 Ongoing £m	**2008 Total £m**	2007 Total £m
Turnover	13.8	328.9	**342.7**	307.1
Other external charges	(0.3)	(8.4)	**(8.7)**	(7.6)
Net fees	13.5	320.5	**334.0**	299.5
Staff costs	(5.7)	(159.8)	**(165.5)**	(142.3)
Depreciation and amortisation	(1.5)	(7.2)	**(8.7)**	(6.3)
Other operating costs	(2.9)	(88.5)	**(91.4)**	(77.2)
Operating profit	3.4	65.0	**68.4**	73.7

Acquisitions comprise the post acquisition results of Chiltern Plc. The results of other acquisitions have been included within ongoing operations as they are not considered to have a material impact on the group profit and loss account. Further details of the acquisitions are disclosed in note 24.

3 Employees

	2008 £m Group	2007 £m Group	**2008 £m LLP**	2007 £m LLP
Staff costs (excluding members) consist of:				
Salaries and benefits	**144.8**	124.8	**134.6**	114.9
Social security costs	**15.3**	13.3	**14.2**	12.3
Pension costs	**5.4**	4.2	**4.8**	3.7
	165.5	142.3	**153.6**	130.9

The average number of employees (excluding members) was:

	2008 Number Group	2007 Number Group	**2008 Number LLP**	2007 Number LLP
Audit	**962**	929	**962**	929
Business Restructuring	**236**	228	**236**	228
Corporate Finance	**256**	235	**256**	235
Forensic Services	**381**	350	**381**	350
Tax Services	**639**	605	**639**	605
Investment Management	**204**	202	**–**	–
Central Support	**394**	323	**394**	323
	3,072	2,872	**2,868**	2,670

4 Operating profit

Group operating profit is stated after charging/(crediting):

	2008 £m	2007 £m
Profit on disposal of business	–	(1.2)
Depreciation of fixed assets	5.3	4.7
Amortisation of goodwill	3.4	1.6
Operating lease rentals – plant and machinery	1.0	1.0
Operating lease rentals – other	10.3	8.4
Services provided by and fees payable to the group's auditors:		
Audit of parent company and consolidated accounts	0.1	0.1
Audit of the group's subsidiaries pursuant to legislation	0.1	0.1
	0.2	0.2

5 Interest

	2008 £m	2007 £m
Payable		
On bank loans and overdrafts	3.8	1.1
On other loans	0.1	0.1
As finance charges on leased assets	0.1	0.1
Interest cost on pension liabilities	2.5	2.6
	6.5	3.9
Receivable		
On short-term deposits and investments	(0.7)	(0.8)
Expected return on pension assets	(2.9)	(2.7)
	(3.6)	(3.5)
Net interest payable	2.9	0.4

6 Taxation

The financial statements do not incorporate any charge or liability for taxation on the results of the LLP, as the relevant income tax is the responsibility of the individual members. Corporation tax arises in corporate subsidiaries as follows:

	2008 £m	2007 £m
UK corporation tax	0.1	–
Factors affecting the tax charge for the year		
Profit on ordinary activities of corporate subsidiaries before taxation	0.6	0.9
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 29.5% (2007 – 30%)	0.2	0.3
Effect of minority interests	(0.1)	(0.3)
Current UK tax charge	0.1	–

7 Members' profit shares

	2008 Number	2007 Number
Monthly average number of members	**235**	225

	2008 £'000	2007 £'000
Average profit for the financial year before members' remuneration and profit shares including total recognised gains and losses in the year per member	**274**	342

The profit share of the highest paid member was £0.7m (2007 – £0.9m).

8 Profit for the financial year

The LLP has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group result for the year includes the profit of the LLP for the financial year before members' remuneration and profit shares of £65.2m (2007 – £72.5m).

9 Intangible assets

Group	2008 £m
Cost	
At 1 July 2007	14.4
Additions	28.3
At 4 July 2008	**42.7**
Amortisation	
At 1 July 2007	4.8
Charge for the year	3.4
At 4 July 2008	**8.2**
Net book value	
At 4 July 2008	**34.5**
At 30 June 2007	9.6

All the intangible assets relate to goodwill.

Goodwill on acquisitions is being amortised over its estimated useful life, which ranges between seven and ten years.

10 Tangible assets

Group	Leasehold improvements £m	Fixtures, fittings and computer equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 July 2007	8.2	11.7	4.9	24.8
Additions	24.9	6.9	1.6	33.4
Disposals	(1.5)	(3.6)	(1.3)	(6.4)
At 4 July 2008	**31.6**	**15.0**	**5.2**	**51.8**
Depreciation				
At 1 July 2007	3.3	6.9	2.1	12.3
Charge for the year	1.4	3.1	0.8	5.3
Disposals	(1.5)	(3.6)	(0.7)	(5.8)
At 4 July 2008	**3.2**	**6.4**	**2.2**	**11.8**
Net book value				
At 4 July 2008	**28.4**	**8.6**	**3.0**	**40.0**
At 30 June 2007	4.9	4.8	2.8	12.5

Included in the total net book value of fixtures, fittings and computer equipment is £3.6m (2007 – £2.5m) in respect of assets held under finance leases. The depreciation charge for the year on such assets was £2.1m (2007 – £1.6m).

Additions in the year largely relate to the expenditure incurred in respect of the firm's new London headquarters.

LLP	Leasehold improvements £m	Fixtures, fittings and computer equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 July 2007	8.1	11.4	4.9	24.4
Additions	24.9	6.9	1.6	33.4
Disposals	(1.5)	(3.5)	(1.3)	(6.3)
At 4 July 2008	**31.5**	**14.8**	**5.2**	**51.5**
Depreciation				
At 1 July 2007	3.3	6.7	2.0	12.0
Charge for the year	1.4	3.1	0.8	5.3
Disposals	(1.5)	(3.5)	(0.7)	(5.7)
At 4 July 2008	**3.2**	**6.3**	**2.1**	**11.6**
Net book value				
At 4 July 2008	**28.3**	**8.5**	**3.1**	**39.9**
At 30 June 2007	4.8	4.7	2.9	12.4

Included in the total net book value of fixtures, fittings and computer equipment is £3.6m (2007 – £2.5m) in respect of assets held under finance leases. The depreciation charge for the year on such assets was £2.1m (2007 – £1.6m).

Additions in the year largely relate to the expenditure incurred in respect of the firm's new London offices.

11 Fixed asset investments

Group	Other investments £m	Listed investments £m	Total £m
Cost			
At 1 July 2007	0.3	0.1	0.4
Disposals	(0.2)	–	(0.2)
At 4 July 2008	**0.1**	0.1	**0.2**
Provisions			
At 1 July 2007 and at 4 July 2008	–	0.1	0.1
Net book value			
At 4 July 2008	**0.1**	**–**	**0.1**
At 30 June 2007	0.3	–	0.3

At 4 July 2008, the market value of the listed investments held by the group was £nil (2007 – £nil).

LLP	Other investments and group undertakings £m	Listed investments £m	Total £m
Cost			
At 1 July 2007	8.5	0.1	8.6
Additions	2.4	–	2.4
Disposals	(0.2)	–	(0.2)
At 4 July 2008	**10.7**	**0.1**	**10.8**
Provisions			
At 1 July 2007 and 4 July 2008	–	0.1	0.1
Net book value			
At 4 July 2008	**10.7**	**–**	**10.7**
At 30 June 2007	8.5	–	8.5

At 4 July 2008, the market value of the listed investments held by the LLP was £nil (2007 – £nil). Additions in the year relate to the purchase of minority interest shareholdings and a rights issue in Fitzwilliam Holdings Limited.

Subsidiary undertakings
The principal undertakings in which the LLP's interest at the year-end is 20% or more are as follows:

Subsidiary undertakings	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
SH Insurance Limited	Guernsey	100%	Insurance
BDO Stoy Hayward LLP Limited	England & Wales	100%	Professional services
Fitzwilliam Holdings Limited	England & Wales	97.5%	Investment management

The principal subsidiary undertaking held by Fitzwilliam Holdings Limited is:

BDO Stoy Hayward Investment Management Limited	England & Wales	97.5%	Investment advice

For all undertakings listed above, the country of operation is the same as the country of incorporation or registration.

The group has an effective 97.5 per cent shareholding in SPP (General Partner) Limited, a company registered in England and Wales, which acts as the general partner to the SPP Income Fund Limited Partnership, the Fitzwilliam Strategic Property Partnership No.3 Fund Limited Partnership, the Scandinavia Strategic Property Fund Limited Partnership and the SPP Opportunities Fund Limited Partnership, including the Opportunities Residential Fund, which are limited partnerships that hold property investment funds. Due to the severe long-term restrictions that the members consider exist over the general partner's control of the limited partnerships, they have not been consolidated into the group's financial statements. The group charged fees to the limited partnerships during the year of £1.5m (2007 – £1.9m) and at the year-end the balance owed to the group by the limited partnerships was £0.2m (2007 – £0.5m). The aggregated profit before members' remuneration charged as an expense for these limited partnerships in the year to 5 April 2008 is £0.1m (2007 – £1.5m) and the total net assets for these limited partnerships are £19.3m as shown in their most recent audited accounts for the year-ended 5 April 2008 (2007 – £13.9m).

The group has an effective 97.5 per cent shareholding in Flora Park (General Partner) Limited, a company registered in England and Wales, which acts as the general partner to the Flora Park Investment – a non-regulated investment in a German retail park. The investment has not been consolidated into the group's financial statements, due to the severe long-term restrictions that the members consider exist over the general partner's control of the investment.

The group has an effective 97.5 per cent shareholding in Fitzwilliam Asset Management (Guernsey) Limited, a company registered in Guernsey, which manages a series of hedge funds. Whilst the company holds shares in the funds for legal and management purposes it has no beneficial interest in the funds aside from fees it receives for performance of its duties as a manager. The funds have therefore been included in the group financial statements at the cost of investment rather than as subsidiaries. The group charged fees to the funds during the year of £2.0m (2007 – £1.6m) and at the year-end the balance owed to the group by the funds was £0.4m (2007 – £0.5m).

12 Debtors

	2008 £m Group	2007 £m Group	2008 £m LLP	2007 £m LLP
Trade debtors	**67.7**	62.0	**65.7**	59.8
Amounts owed by group undertakings	**–**	–	**28.4**	9.2
Other debtors	**2.6**	1.4	**2.4**	1.3
Prepayments	**10.7**	7.7	**9.9**	6.3
Accrued income	**45.0**	41.4	**42.0**	37.9
	126.0	112.5	**148.4**	114.5

All amounts shown under debtors for the group fall due for payment within one year. For the LLP, all amounts fall due for payment within one year except for an interest free loan of £21.9m due from BDO Stoy Hayward LLP Limited (2007 – £5.3m).

13 Creditors: amounts falling due within one year

	2008 £m Group	2007 £m Group	2008 £m LLP	2007 £m LLP
Bank overdrafts	**13.0**	–	**13.0**	–
Bank loans (note 14)	**17.5**	3.4	**17.5**	3.4
Trade creditors	**5.0**	5.2	**4.7**	5.0
Taxation and social security	**10.6**	10.6	**10.3**	10.4
Obligations under finance leases	**2.0**	1.3	**2.0**	1.3
Other creditors	**1.2**	1.2	**0.1**	0.6
Accruals and deferred income	**24.7**	17.7	**22.3**	15.1
Amounts due to former members and partners	**1.1**	1.4	**1.1**	1.4
	75.1	40.8	**71.0**	37.2

The bank loans and overdrafts are unsecured, obligations under finance leases are secured against the assets to which they relate.

14 Creditors: amounts falling due after more than one year

	2008 £m Group	2007 £m Group	2008 £m LLP	2007 £m LLP
Bank loans	**39.0**	6.7	**39.0**	6.7
Obligations under finance leases	**1.7**	1.2	**1.7**	1.2
Amounts due to former members and partners	**0.5**	0.7	**0.5**	0.7
	41.2	8.6	**41.2**	8.6

The bank loans are unsecured and are repayable over five years at floating rates based upon LIBOR. At year-end bank loans of £25.0m were subject to an interest rate collar.

Obligations under finance leases are secured against the assets to which they relate and are repayable at fixed interest rates.

The amounts due to former members and partners comprise the amounts repayable in accordance with the members' agreement. The LLP has taken on the obligations to former partners of the partnership to repay amounts due.

Maturity of debt:

Group and LLP	2008 Loans £m	2007 Loans £m	2008 Finance leases £m	2007 Finance leases £m
In one year or less, or on demand	**17.5**	3.4	**2.0**	1.3
More than one year but less than two years	**13.0**	3.4	**1.4**	0.9
More than two years but less than five years	**26.0**	3.3	**0.3**	0.3
	39.0	6.7	**1.7**	1.2

15 Provisions for liabilities

Group	Annuities £m	Professional Indemnity £m	Property £m	Total £m
At 1 July 2007	1.0	7.7	8.3	17.0
Utilised during the year	(0.3)	(0.3)	(3.3)	(3.9)
(Released)/created during the year	(0.1)	0.1	6.2	6.2
At 4 July 2008	**0.6**	**7.5**	**11.2**	**19.3**

LLP	Annuities £m	Professional Indemnity £m	Property £m	Total £m
At 1 July 2007	1.0	1.7	8.2	10.9
Utilised during the year	(0.3)	(0.2)	(3.3)	(3.8)
(Released)/created during the year	(0.1)	(0.1)	6.2	6.0
At 4 July 2008	**0.6**	**1.4**	**11.1**	**13.1**

Annuities relate to former partners of the former partnership. The majority of the annuities are for a fixed amount over a fixed period of time and therefore no actuarial assumptions are required. The provision is expected to be largely utilised over the next five years.

The Professional Indemnity provision relates to the expected cost of defending claims and, where appropriate, the estimated cost of settling claims where such costs are not covered by insurance.

The Property provisions relate to net rental commitments on surplus properties and dilapidation costs and are expected to be utilised over periods of up to twenty years.

Provisions have been discounted where the effect of the time value of money is material.

16 Members' interests

Loans and other debts due to members

Group	2008 £m	2007 £m
Amounts due to members at beginning of year	**81.4**	75.9
Members' remuneration charged as an expense	**65.0**	72.5
Members' interests after profit for the year	**146.4**	148.4
Pension scheme net actuarial gain	**(0.6)**	4.5
Capital introduced by members	**6.6**	4.9
Capital repaid to members	**(7.3)**	(6.1)
Amounts re-classified as amounts due to former members within creditors	**(1.5)**	(0.6)
Drawings and distributions	**(65.8)**	(69.7)
Amounts due to members at end of year	**77.8**	81.4

LLP	2008 £m	2007 £m
Amounts due to members at beginning of year	**80.6**	75.1
Members' remuneration charged as an expense	**65.2**	72.5
Members' interests after profit for the year	**145.8**	147.6
Pension scheme net actuarial gain	**(0.6)**	4.5
Capital introduced by members	**6.6**	4.9
Capital repaid to members	**(7.3)**	(6.1)
Amounts re-classified as amounts due to former members within creditors	**(1.5)**	(0.6)
Drawings and distributions	**(65.8)**	(69.7)
Amounts due to members at end of year	**77.2**	80.6

The loans and other debts due to members outstanding at the year-end are subordinated to bank loans and overdrafts but would rank equally with unsecured creditors in the event of a winding up. Loans and other debts due to members are repayable as follows:

	2008 £m Group	2007 £m Group	2008 £m LLP	2007 £m LLP
Within one year	**30.4**	30.6	**30.4**	30.6
More than one year	**47.4**	50.8	**46.8**	50.0
	77.8	81.4	**77.2**	80.6

Our figures

Notes forming part of the financial statements

for the 53 weeks ended 4 July 2008 (continued)

17 Capital commitments

Group and LLP	2008 £m	2007 £m
Contracted but not provided for in the financial statements	–	15.9

18 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

	2008 Land and buildings £m	2008 Other £m	2007 Land and buildings £m	2007 Other £m
Operating leases which expire:				
Within one year	2.7	0.1	0.6	0.2
Within one to two years	0.5	0.1	0.5	0.1
In two to five years	0.5	0.2	3.9	0.1
Over five years	8.2	–	6.9	–
	11.9	0.4	11.9	0.4

The LLP had annual commitments under non-cancellable operating leases as set out below:

	2008 Land and buildings £m	2008 Other £m	2007 Land and buildings £m	2007 Other £m
Operating leases which expire:				
Within one year	2.6	0.1	0.5	0.2
Within one to two years	0.5	0.1	0.5	0.1
In two to five years	0.5	0.2	3.9	0.1
Over five years	8.2	–	6.9	–
	11.8	0.4	11.8	0.4

19 Related party transactions

The LLP has taken advantage of the exemption allowed by FRS 8, 'Related Party Transactions', not to disclose any transactions with other group entities that are included in these consolidated financial statements. Transactions with the funds which have not been consolidated are detailed in note 11.

20 Reconciliation of operating profit to net cash inflow from operating activities

	2008 £m	2007 £m
Operating profit	**68.4**	73.7
Amortisation of goodwill	**3.4**	1.6
Depreciation	**5.3**	4.7
Profit on disposal of business	**–**	(1.2)
Difference between pension charge and cash contributions	**(1.2)**	(3.9)
Increase in debtors	**(9.9)**	(9.7)
Increase in creditors	**4.4**	5.0
(Decrease)/Increase in provisions for liabilities	**(0.2)**	1.5
Net cash inflow from operating activities	**70.2**	71.7

21 Analysis of cash flows

	2008 £m	2007 £m
Return on investments and servicing of finance		
Interest received	**0.7**	0.8
Interest paid (excluding interest paid to partners)	**(3.9)**	(1.2)
Interest element of finance lease rental payments	**(0.1)**	(0.1)
Distributions to minority interests	**(0.5)**	(0.3)
	(3.8)	(0.8)
Taxation		
Corporation tax paid	**–**	–
Capital expenditure and financial investment		
Purchase of tangible assets	**(29.7)**	(4.3)
Proceeds from the sale of tangible assets	**0.6**	0.3
	(29.1)	(4.0)
Acquisitions and disposals		
Acquisition of businesses	**(29.8)**	–
Increase in shareholdings in subsidiaries	**(0.9)**	(0.1)
Cash received from sale of business	**–**	1.3
	(30.7)	1.2
Transactions with members and former members		
Payments to members	**(65.8)**	(69.7)
Capital introduced by members	**6.6**	4.9
Capital repaid to members	**(7.3)**	(6.1)
Amounts repaid to former members	**(2.0)**	(0.7)
	(68.5)	(71.6)
Financing		
New bank loans	**50.0**	–
New finance leases	**3.3**	0.3
Loan repayments	**(3.6)**	(3.4)
Capital element of finance leases repaid	**(2.1)**	(1.5)
	47.6	(4.6)

22 Net funds

a) Analysis of changes in net funds/(debt)

	At beginning of year £m	Cash flow £m	Non-cash changes £m	**At end of year £m**
Cash/overdrafts				
Cash at bank and in hand	13.6	(1.3)	–	**12.3**
Bank overdrafts	–	(13.0)	–	**(13.0)**
Debt				
Debt due within one year	(3.4)	3.6	(16.5)	**(16.3)**
Debt due after one year	(6.7)	–	(33.5)	**(40.2)**
Finance leases	(2.5)	2.1	(3.3)	**(3.7)**
Net funds/(debt)	1.0	(8.6)	(53.3)	**(60.9)**

b) Reconciliation of net cash flow to movement in net funds/(debt)

	2008 £m	2007 £m
Decrease in net cash during the year	**(14.3)**	(8.1)
Net cash outflow from debt	**5.7**	4.6
Non-cash changes – new bank loans and finance leases	**(53.3)**	(1.7)
Decrease in net funds during the year	**(61.9)**	(5.2)
Opening net funds	**1.0**	6.2
Closing net (debt)/funds	**(60.9)**	1.0

23 Pensions

The group operates both defined benefit and defined contribution pension arrangements for its staff. All pension arrangements are accounted for as required under FRS 17.

The BDO Stoy Hayward Pension Scheme ('the Scheme') is a funded scheme, and has two sections: a defined benefit section ('DB') and a defined contribution section ('DC'). The Scheme's assets are held separately from those of the group.

The LLP also has obligations to pay pensions and allowances to certain former partners and employees.

Defined contribution arrangement

In the year the group paid contributions of £5.4m (2007 – £4.2m) to the DC section of the scheme, which is equal to the total pension charge under FRS 17 for this section of the scheme.

There are no outstanding or prepaid contributions to this arrangement as at 4 July 2008 (2007 – £nil).

Funded defined benefit arrangement

The DB section of the Scheme was closed to both new members and future accrual on 30 November 1994 and members in pensionable service were given the option to leave their benefits as a deferred pension (based on final pensionable earnings as at November 1994) or receive an opening balance within the new DC section.

The Scheme was merged with the Moores Rowland Pension Scheme with effect from 30 November 2000. The Moores Rowland scheme was a defined benefit scheme that had been closed to new members and future accrual from 1 May 1995.

The assets and liabilities of the DB section of the Scheme have been valued for FRS 17 purposes by a qualified actuary, John Broome Saunders, who is an employee of BDO Stoy Hayward Investment Management Ltd, a subsidiary of the LLP.

During the year, the group paid contributions to the DB section of £1.2m (2007 – £1.4m). In addition the group pays the costs of administering the scheme. It has been agreed that the group will continue contributing at this rate at least until the completion of the next formal valuation of the Scheme, due on 30 June 2009.

The amounts quoted in these financial statements are based on a full valuation of the scheme as at the year-end undertaken for FRS 17 purposes.

The key actuarial assumptions at year-end are:

	2008	2007
Discount rate	**6.70%**	5.70% pa
Rate of inflation	**3.75%**	3.30% pa
Increases in pensionable salaries	**n/a**	n/a
Life expectancy at 65		
– current 65 year old male	**87.0 years**	86.9 years
– current 65 year old female	**89.8 years**	89.8 years
– current 45 year old male	**88.1 years**	88.0 years
– current 45 year old female	**90.9 years**	90.8 years

23 Pensions (Continued)

The fair values of the assets in the DB section at the year-end are:

	2008 £m	2007 £m
Equities	**19.7**	24.1
Bonds	**7.0**	5.9
Annuity policies	**8.0**	9.0
Other assets	**6.0**	5.3
Total	**40.7**	44.3

The expected rates of return used were:

	2008	2007
Equities	**7.50% pa**	7.50% pa
Bonds	**5.70% pa**	5.70% pa
Annuity polices	**5.70% pa**	5.70% pa
Other assets	**5.00% pa**	5.00% pa

The assumed long-term rates of return on scheme assets is calculated by considering the long-term rate of return on each asset class. The expected rate of return on each asset class is derived by considering relevant investment yields, or by taking a suitable risk-free yield and adjusting for a risk premium as appropriate to the asset class.

An analysis of the movement in the scheme liabilities is set out below:

	2008 £m	2007 £m
At beginning of year	**44.3**	49.5
Interest cost on liabilities	**2.5**	2.6
Settlement	**–**	(3.6)
Benefits paid	**(1.1)**	(1.2)
Actuarial gain	**(6.0)**	(3.0)
At end of year	**39.7**	44.3

An analysis of the movement in the scheme assets is set out below:

	2008 £m	2007 £m
At beginning of year	**44.3**	41.0
Expected return on assets	**2.9**	2.7
Settlement	**–**	(1.1)
Employer contributions	**1.2**	1.4
Benefits paid	**(1.1)**	(1.2)
Actuarial (loss)/gain	**(6.6)**	1.5
At end of year	**40.7**	44.3

23 Pensions (Continued)

The following amounts have been included within the profit and loss account:

	2008 £m	2007 £m
Settlement gain credited to operating profit	–	2.5
Expected return on assets	2.9	2.7
Interest cost on liabilities	(2.5)	(2.6)
Net finance costs	0.4	0.1

The following amounts have been charged to the statement of total recognised gains and losses ('STRGL'):

	2008 £m	2007 £m
Actual return less expected return on scheme assets	(6.6)	1.5
Actuarial gains arising on scheme liabilities	6.0	3.0
Net gain recognised in STRGL	(0.6)	4.5

The history of experience gains and losses is as follows:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Scheme assets	40.7	44.3	41.0	35.4	31.6
Scheme liabilities	(39.7)	(44.3)	(49.5)	(45.2)	(40.2)
Surplus/(deficit)	1.0	–	(8.5)	(9.8)	(8.6)
Investment (losses)/gains	(6.6)	1.5	2.9	1.9	1.5
Experience gains/(losses) on liabilities	0.3	0.5	(0.5)	–	0.3

The cumulative amount of gains and losses recognised in the STRGL since 1 July 2002 is a gain of £1.0m.

24 Acquisitions

There have been three acquisitions in the year.

Chiltern Plc

On 12 October 2007, the group acquired the tax business of Chiltern Plc. The consideration totalled £23.5m. Legal and advisory costs relating to the acquisition have been capitalised at a value of £1.1m. The book value of the assets which were acquired were equal to the fair value at the time of purchase.

	£m
Book/fair value of net assets: work in progress	3.3

	£m
Total cash consideration	23.5
Legal and advisory costs	1.1
Net assets acquired	(3.3)
Goodwill on acquisition	21.3

A summarised profit and loss account for Chiltern for the period from the beginning of its financial year to the effective date of acquisition (1 April 07 to 12 October 07) is shown below:

	£m
Turnover	9.0
Staff expenses and other operating costs	(8.4)
Operating profit	0.6

The post acquisition results which comprise the acquisitions figure in note 2 have been extracted as:

	£m
Turnover	13.8
Other external charges	(0.3)
Staff expenses and other operating costs	(8.6)
Amortisation	(1.5)
Operating profit	3.4

Other acquisitions

On 4 March 2008, the group acquired the business of Lines Wilson LLP and on 4 April 2008, the group acquired the business of Wolanski Checkley Fisher LLP. The aggregate consideration for the two acquisitions is expected to be £6.2m, of which £5.1m was paid in cash on completion and £1.1m was deferred. Legal and advisory costs relating to these acquisitions have also been capitalised at a value of £0.1m. The book and fair value of net assets acquired was £0.1m, resulting in goodwill on acquisition of £6.2m. Any deferred consideration is payable dependent upon the future performance of the acquired businesses.

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