BDO

BDO International

Annual Statement 2008

BDO International is a world wide network of public accounting firms, called BDO Member Firms.
Each BDO Member Firm is an independent legal entity in its own country.

The network is coordinated by BDO Global Coordination B.V., incorporated in the Netherlands with its statutory seat in Eindhoven (trade register registration number 33205251) and with an office at Boulevard de la Woluwe 60, 1200 Brussels, Belgium, where the International Executive Office is located.

Nothing in the arrangements or rules of BDO International shall constitute or imply an agency relationship or a partnership among BDO Global Coordination BV and BDO Member Firms.

BDO is the brand name for the BDO International network and for each of the BDO Member Firms.

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Letter from the Chairman

In March 2008, I wrote in these pages that 'in today's environment' the BDO network's 2007 revenue increase of 20% across all regions and all service lines was 'no mean achievement'. Little did any of us realise how quickly and dramatically the economic downturn would take effect, nor how difficult it was going to be for a considerable number of businesses to survive the rest of 2008 - let alone mark it with accomplishment.

Nonetheless, BDO did indeed attain success in the year to 30 September 2008, realising growth of over 9% in US$ terms (almost 11% in euros) and with revenues exceeding US$5 billion (over €3.6 billion) for the first time. Once again, there were strong performances across all regions and in Latin America in particular, where growth was 22%. BDO is, of course, subject to fluctuations in exchange rates: in Canada, for example, the BDO Member Firm grew its revenues by 13% in local currency terms, but this reduced to 7% when expressed in euro. Revenues of the UK firm increased by 13% in local currency, but fell by 1% when expressed in euro, owing to the weakening of Sterling (British pound).

In addition to robust organic growth, the BDO network was pleased to welcome new Member Firms in France, Croatia and India. Meanwhile, Member Firms completed mergers in a further 12 countries, including Australia, Belgium, Denmark, Malaysia, Poland and the UK.

The network experienced a significant change in leadership in October 2008 when Frans Samyn stepped down as CEO. When he took over this position in October 2002, Frans moved quickly to reorganise the International Office in Brussels along service and functional lines and introduced development plans for Member Firms in the major economies. Throughout his period in office, Frans continued to make changes to the network's functioning in an evolutionary but logical and constructive manner, leading the brand strategy implementation project in 2004 and initiating further change for the benefit of the BDO network with the strategic review of 2007. The results of the initiatives he led are considerable: in 2002 BDO's Member Firms in 99 countries generated a fee income of US$ 2.4 billion.

In 2008, BDO's combined fee income exceeded US$5 billion and the number of countries had grown to 110.

Throughout BDO, Frans will always be held in extremely high regard. He set high standards for the collective future of BDO and the network was delighted to welcome his successor, Jeremy Newman, at October's Biennial Conference. Formerly the Managing Partner of BDO's UK Member Firm, he led that firm through a period of tremendous growth and a restructuring process which ultimately resulted in unprecedented levels of both fee income and staff numbers. He was a personal advocate of the UK firm's strong values and was known nationally for giving the firm a market presence as 'employer of choice', as well as for his strong stance on the issue of competition and choice in the UK audit market.

Acceding to this international position, Jeremy is answering the network's call for strong leadership and has already assembled a strong global team to provide this. He emphasises, however, that success depends equally on the efforts of each Member Firm and, if BDO's collective objective is to achieve profitable growth, this means growth in domestic as well as international revenues. The uncertainties of the current financial environment are both a challenge and an opportunity for BDO, demonstrating as they do the need for a global response. Under Jeremy's leadership, BDO is uniquely placed to meet those challenges and to take advantage of the opportunities – and is looking forward to doing so.

Martin van Roekel

Policy Board Chairman
31 March 2009

CEO Report

2008 was the 30th anniversary of my joining the BDO Member Firm in the UK and, having come to the end of my period of office as the UK firm's Managing Partner, I was delighted to be asked to take on the role of CEO of BDO International. My thanks go to my predecessor, Frans Samyn, for all he has done to encourage the development and growth of BDO in his six years as CEO of BDO International.

The year covered by this Annual Statement saw the beginning of an unprecedented period of world- wide challenge and difficulty for the global economy and this will undoubtedly impact on BDO. Maintaining the rate of growth the network has achieved over recent years will be more difficult, but I believe that these challenges also present us with opportunities - if we are brave enough to embrace them. These will arise in a number of ways: opportunities to deliver services to clients from a lower cost base than our competitors; the ability to recruit key talent that may not previously have been available; and the chance to use these quieter times to forge new relationships. These will all contribute to the further growth and development of BDO. Furthermore, BDO's global presence continues to increase and this improves our ability to provide services to a wider range of clients.

The requirements imposed by regulators, which demand that businesses be managed successfully but with a greater focus on limiting risk and on sustainable management for the longer term, also create opportunities for BDO; there will also be opportunities arising from the crisis that has been engulfing the financial services sector. Our audit and accounting and advisory business streams are well placed to benefit.

My priority as CEO is to help the network deliver sustainable and profitable growth. We are making significant investments in technology and infrastructure to support the increasingly complex business we operate in. This includes the development of an audit process tool to enable the consistent implementation of our new audit methodology on a global basis in 2010. We are working to ensure that Proximity to Clients and being the Employer of Choice are key focuses of the strategy of each Member Firm and, together with the new Global Leadership Team, we are developing a number of initiatives to help Member Firms. We held a successful Biennial conference in London in October 2008 with attendees from over 90 of our Member Firms, who gave us input and guidance on our priorities for the current year.

As well as working to enhance the quality and capabilities of our existing Member Firms, we are also improving our strength in key areas of the world. Progress has already been made in China where we were delighted to admit a new Member Firm, Shu Lun Pan, in January 2009. This substantially strengthens our capabilities in this key country. Our network has further been enhanced by new Member Firms in Croatia, France and India in the last year.

The global management resource within BDO was strengthened by the appointment of nine Regional Senior Partners in October 2008. They will encourage regional cooperation, knowledge and information sharing, and provide support to our Member Firms, supported by regional coordinators. I am also fortunate to have a strong Global Leadership Team which took office on 1 January 2009. This includes a partner from four of the largest BDO Member Firms, who support me in our accounting, audit, tax, people and client service offerings.

The current year will be challenging but we have strong foundations and Member Firms that are committed to the further development of BDO and we are thus well-placed to take advantage of opportunities.

Jeremy Newman

CEO, BDO International
31 March 2009

Jeremy Newman

"…these challenges present us with opportunities – if we are brave enough to embrace them"

Global performance

Core statistics for the BDO International network

Our revenues

Year	2008	2007	2006	2005
Combined fee income	€ 3,649 million $ 5,145million	€ 3,298 million $ 4,704 million	€ 3,083 million $ 3,911 million	€ 2,763 million $ 3,329 million
Number of countries	110	110	107	105
Number of offices	1,095*	626	621	601

Our people

Year	2008	2007	2006	2005
Partners	3,424	2,520	2,348	2,220
Professional staff	33,436	23,728	22,361	20,383
Administrative staff	7,142	5,328	5,009	5,225
Total staff	**44,002***	**31,576**	**29,718**	**27,828**

Our geography

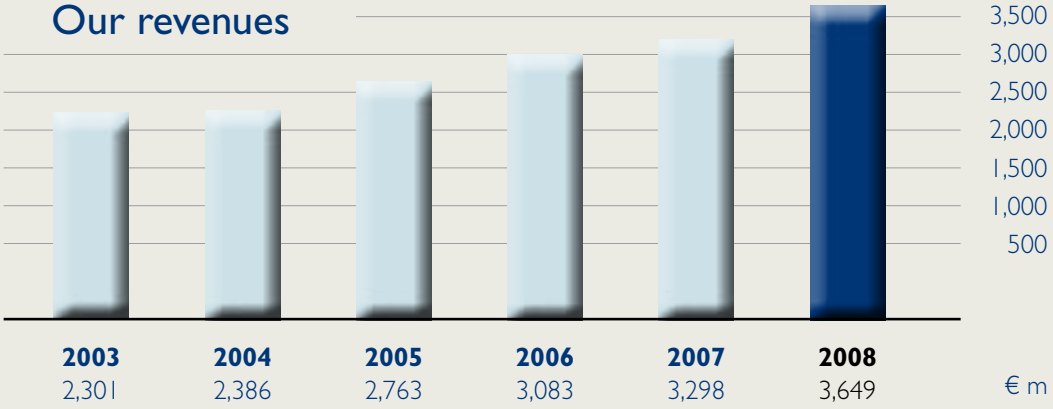
Region	Revenue %	Countries
Europe	47	45
North America / Caribbean	42	10
Rest of world	11	55
Total	**100**	**110**

Our services

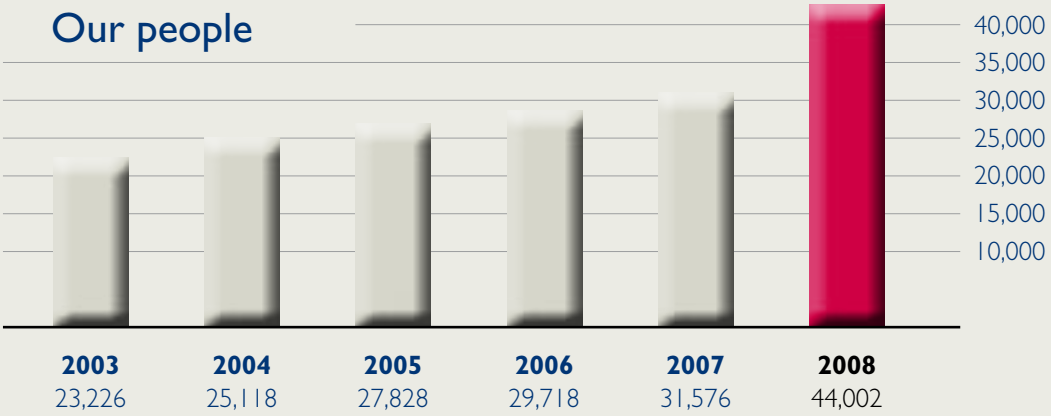
Sector	%
Audit & Accounting	57.1
Tax services	20.1
Specialist advisory services	19.9
Other	2.9
Total	**100.0**

* The figures for offices and people include the personnel and offices of BDO's exclusive Alliance firms in 2008. These were not included in prior years.

Our revenues



Our people



Update on Audit & Tax

Audit

New audit tool development

In 2008 BDO revised its international audit methodology and made considerable progress in the development of a related audit tool by working closely with Qurius NV, a leading Dutch software solution provider. The development of the new tool represents a significant project intended to benefit the entire network.

Execution of the project is being carried out by teams comprising representatives from a number of BDO Member Firms that will address the IT infrastructure, testing, and deployment of the revised audit methodology using the new tool throughout the network, supported by a robust training programme.

This constitutes a considerable financial investment by BDO International and is an excellent example of the way the Member Firms collaborate to enhance the overall professional service offering to clients of the network. The new methodology and audit tool are intended to be used efficiently and effectively on all audit clients served by our Member Firms in 2010. The new audit tool will represent a high quality, leading edge technology which is expected to enhance the current audit processes for all our clients.

Tax

The tax stream within BDO continues to grow and gain respect as a leading challenger to the Big 4 accountancy firms in offering a complete range of tax services to BDO clients on a global basis. By way of example, the year saw the acquisition and integration in the UK of a significant independent tax specialist business. Other Member Firms also recruited tax specialists and are developing business plans to enhance and grow their tax business lines. The Tax Steering Committee, three Tax Working Parties and seven tax Centres of Excellence each met to continue to work on leading edge strategies to enable our clients to cope with the increasingly complex demands of operating in the global market.

Tax is a complex and highly technical area of the business. The activities of the various Working Parties and Centres of Excellence were disseminated and shared through various tax conferences, client seminars and learning opportunities in a number of tax specialty areas including VAT, expatriate taxation services, international taxation, personal tax planning for high net worth individuals, transfer pricing, research and development and European direct taxes.

Differentiation strategy

BDO's stated ambition is to strengthen the network and to grow its market share. In order to do this, the global organisation has to both fulfil the market demand for greater choice and be recognised as a leading global player in the accountancy market. The network's differentiation strategy, consisting of two clear aspirational differentiators, is essential to achieving this ambition.

The market elements that make BDO competitive are Proximity to Clients and being an Employer of Choice.

Proximity to clients

Throughout BDO, client proximity is fundamental to the success of the network. This means that all BDO Member Firms must ensure the best possible experience for all their clients, across the world. BDO achieves this by:

- Delivering a first class professional service
- Exercising strong professional judgement
- Being straightforward in approach
- Providing guidance for the sustainable development of our clients' businesses
- Acting with honesty and integrity
- Sharing information within the network
- Investing in a robust international quality control process
- Striving for continuous improvement.

We are currently developing a single market position to be adopted by all BDO Member Firms. This will enable BDO to be more clearly positioned as a leading international brand with a distinctive reputation for delivering a consistently high quality service on a global basis. This will drive growth, improve network stability, give BDO positive differentiation from the competition and assist all Member Firms in servicing larger and more diverse clients.

People

The strategic ambition for each Member Firm to be an Employer of Choice for staff and potential recruits is a key objective of the BDO network. This involves formulating and articulating people propositions that ensure BDO stands out from the competition in the quest to find the most talented people to deliver outstanding quality service to clients across the globe. In 2008, this was supported by implementing relevant high quality processes and training opportunities, including international secondments, career planning support, and technical and soft skills training, all with the aim of developing our people.

Most Member Firms now have their own locally agreed and articulated values. Many do much to support their local communities outside the workplace.

The focus is to ensure that the demands of client service in a challenging and competitive environment are met, whilst ensuring our people retain a balance in the demands of work and home life. The ongoing development and investment in IT infrastructure and remote working serve to support our flexible and individualistic people proposition.

Transparency

We support moves towards greater transparency by all audit firms. We believe that this increases confidence in the audit profession and enables firms to improve their credibility and their reputation for integrity.

Member Firms in the European Union all comply with the requirements of the 8th Directive to publish annual transparency reports and copies of these are available on the websites of the relevant Member Firms. There are no similar regulations for networks, either in the EU or elsewhere, and many of the requirements of the 8th Directive are not relevant to a network.

However, we seek to comply with the spirit of these requirements, albeit they only apply in the EU, and set out below information about the network which we hope will assist in better understanding how we operate.

Governance

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

The Council comprises one representative from each Member Firm. The Council approves budgets and financial matters, appoints the Policy Board and approves any changes to the Member Firm Agreement.

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

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

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

Each BDO Member Firm is an independent legal entity in its own country.

Quality

BDO International supports Member Firms in the delivery of consistently high quality services. The International Executive Office provides guidance on the design and implementation of quality control systems to support compliance with both local and international standards. In accordance with the International Standard on Quality Control (ISQC-1), Member Firms have their own systems of quality control.

BDO International evaluates the quality of local and referred professional work carried out by BDO Member Firms through a Quality Assurance Review process. These reviews aim to provide assurance that BDO Member Firms are adhering both to applicable professional standards and BDO International standards.

Many Member Firms are also subject to external inspections by local professional institutes, local regulators or subject to a peer review.

A process for accreditation of Member Firms was introduced for the first time this year. This was a challenging and robust process to seek to monitor and enhance the quality of Member Firms in respect of the performance, compliance, quality and risk management and competencies and capabilities of each firm.

As a result of this process improvement plans have been or are being implemented by various Member Firms. The accreditation criteria will be reviewed for 2009 to enhance our focus on quality within firms and in order to support the key strategic aims of the network.

Independence

Each Member Firm has an Independence Champion in order to monitor compliance with the applicable independence policies. This is generally a senior partner who has responsibility for independence matters, including the provision of relevant training and obtaining annual confirmations of independence from all professional personnel. Member Firms are also required to maintain a listing of entities considered 'restricted' as a result of an audit relationship either with the entity or a related entity. BDO International maintains a database of restricted entities that have publicly traded securities. Access is available to all partners within BDO Member Firms.

Professional standards require that Member Firms and professional personnel from all service lines maintain their objectivity when delivering services to clients. Maintaining independence from the client is an essential element of objectivity with regard to audit and other assurance engagements.

Conducting reviews for potential conflicts of interest and threats to independence prior to proposing for an engagement are important safeguards. In the past year BDO has invested considerable time and resources in developing web-based tools to facilitate international independence enquiries among Member Firms.

Training

Increasingly, today's professionals need to be technical experts with excellent communication and interpersonal skills to enable them to meet the demands of the market. At BDO, partners and staff are encouraged to develop their talents and capabilities to their full potential. Member Firms are committed to developing and maintaining the highest possible standards of technical competence through their own continuing professional development programmes.

The majority of training takes place within the Member Firms. However, BDO International provides training for partners and staff in the BDO audit methodology and organises a number of technical and other training and knowledge sharing courses.

Remuneration

The Policy Board determines the remuneration of the CEO of BDO International.

The remuneration of partners and other personnel in Member Firms is controlled and determined locally by the management of each firm in accordance with their internal governance procedures. Member Firms control their own partner nominations, admissions, remuneration, education and evaluation.

BDO International

There is BDO Member Firm representation in each of the following countries*
(* this list is current as of 1 January 2009):

Angola • Argentina • Australia • Austria • Bahamas • Bahrain • Belgium • Bolivia • Botswana • Brazil • British Virgin Islands • Bulgaria • Cambodia • Canada • Cape Verde Islands • Cayman Islands • Chile • China • Colombia • Comoros • Croatia • Cyprus • Czech Republic • Denmark • Dominican Republic • Ecuador • Egypt • El Salvador • Estonia • Fiji • Finland • France • Germany • Gibraltar • Greece • Guatemala • Guernsey • Hong Kong • Hungary • India • Indonesia • Ireland • Isle of Man • Israel • Italy • Jamaica • Japan • Jersey • Jordan • Kazakhstan • Korea • Latvia • Lebanon • Liechtenstein • Lithuania • Luxembourg • Madagascar • Malaysia • Malta • Mauritius • Mexico • Morocco • Mozambique • Namibia • Netherlands • Netherlands Antilles & Aruba • New Zealand • Nigeria • Norway • Oman • Pakistan • Panama • Paraguay • Peru • Philippines • Poland • Portugal • Qatar • Reunion Island • Romania • Russia • Saudi Arabia • Senegal • Serbia • Seychelles • Singapore • Slovak Republic • Slovenia • South Africa • Spain • Sri Lanka • Suriname • Sweden • Switzerland • Taiwan • Thailand • Trinidad & Tobago • Tunisia • Turkey • Turkmenistan • Ukraine • United Arab Emirates • United Kingdom • United States of America • Uruguay • Vanuatu • Venezuela • Vietnam • Zambia • Zimbabwe

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