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PROGRESS WITH PURPOSE

ANNUAL REPORT 2021
BDO LLP

52 WEEKS ENDED 2 JULY 2021

MEMBERS' REPORT AND GROUP AND LLP FINANCIAL STATEMENTS

REGISTERED NUMBER: OC305127

REGISTERED OFFICE
55 Baker Street, London, W1U 7EU

REGISTERED NUMBER
OC305127

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors
1 Embankment Place, London, WC2N 6RH.

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FOREWORD

PAUL EAGLAND, MANAGING PARTNER

I am pleased to present the members' report together with the audited consolidated financial statements of BDO LLP, for the 52 weeks ended 2 July 2021.

FOREWORD
(CONTINUED)

INTRODUCTION

This financial year has been an extraordinary one by any measure.

The uncertainty and anxiety caused by the global pandemic has had a massive impact on us as individuals, on society as a whole and, of course, the wider economy; indeed, I believe we have yet to fully process and appreciate what we have all experienced.

What has astounded me throughout this period is the ability of people to navigate uncertainty and solve seemingly intractable problems.

In last year's financial report, I noted that, whilst there were no vaccines yet approved for public use, there was cause for optimism with seven vaccines going through medical trials globally. I find it extraordinary that, not only were a number of those vaccines approved, but their efficacy is now providing a level of confidence that we could only have wished for 12 months ago.

I would like to put on record my appreciation and admiration for the amazing work of the NHS and those involved in the research and delivery of COVID-19 vaccines. As well as keeping us safe, it has enabled society and the economy to open up in a cautious but positive way. I would also like to thank our people and clients for their commitment and loyalty.

It is within this context that I report on the key matters we experienced and dealt with in the year, under the headings of:

- Our people and our culture
- Our clients and markets
- Our business performance
- A changing regulatory environment
- Environment, social and governance (ESG)
- Global network.

OUR PEOPLE AND OUR CULTURE

I have always been incredibly proud of BDO, but this pride was taken to a different level during the past 18 months. I have heard story after story of the tenacity, hard work and the support that our people gave to each other and the way in which they actively helped and serviced our clients. Our culture – anchored by our core purpose of 'helping you succeed' – is very special.

I'm pleased to report that, as our people responded to the pandemic and continued to work incredibly hard, we stepped up to ensure we fully supported them. Our response included:

- Ensuring our people continued to have access to the technology and equipment needed to be able to shift to home working
- Appointing 80 wellbeing champions and training 60 mental health first-aiders, helping us achieve gold status in Mind's latest Workplace Wellbeing Index
- Creating clear communication channels and wellbeing policies
- Making no redundancies and ensuring people remained on full pay
- Engaging with teams to do all that we could to provide support while they worked from home and then, in turn, opening up our offices in a COVID-secure manner.

By December 2020, despite the ongoing changes to lockdown rules and the extreme uncertainty of Brexit, we became more confident that our business was resilient enough to survive the crisis. This allowed us in due course to recognise, thank and support our people by:

- Announcing 2,400 promotions and appointing 35 new partners
- Recruiting 1,200 new staff, including over 500 trainees
- Awarding bonuses of circa £19m (an increase of over 170% on the previous year)
- Providing the choice of taking a particular bonus as an extra week of annual leave
- Investing nearly £6m in training and development with over 25,000 training courses
- Engaging with teams to design our new agile working policy of 'WORKABLE' focused on individuals choosing to work where they are most productive depending on the task at hand
- Investing £8m in refurbishing our offices to ensure that, when individuals do work from an office, it is an attractive and collaborative place to be.

We continued to engage with and listen to our people on matters such as equality, diversity and inclusion. Not only is it the right thing to do but a diversity of people leads to a diversity of thought, which in turn leads to better business decisions. We have active networks supporting our female, LGBT, disabled and BAME communities, as well as the major religious faiths. We are serious about BDO being a place where 'you can be yourself'. Whatever your background, faith or sexuality, we want people to thrive and succeed. You'll find much more about this in our 2021 Culture Report.

FOREWORD
(CONTINUED)

OUR CLIENTS AND MARKETS – THE UK ECONOMIC ENGINE

Despite the pandemic, 2020/21 was an incredibly successful year for the firm. Not only did we remain the number one auditor for AIM-listed companies, we also increased the number of listed company audits, resulting in us becoming the largest auditor, by number, of listed businesses in the UK.

While we service many globally-focused and large listed businesses, our client heartland remains the UK's mid-sized, ambitious and entrepreneurially-spirited businesses and the people behind them. These businesses are innovative, resilient and nimble and will, at some stage of their growth, often wish to work with private equity or access capital.

These mid-sized businesses have shown incredible resilience during the year and are fundamental to the strength of the UK economy. When they succeed, the UK economy succeeds. Our latest figures – taken from the FAME database – show that, despite making up less than 1% of businesses by number, they account for just under one third of the UK's business revenue. We call these businesses the 'UK economic engine'.

Despite their impact, these businesses are frequently overlooked and undervalued by policy makers. We believe they fall into a policy and profile gap: too small to make their voices heard amongst larger high-profile enterprises but too big to take advantage of the attention paid to start ups. That is why we continue calling on the UK Government to do more to help this hidden segment of British business.

Now into its second year, our global "Rethink" model provides economic engine businesses with a road map of support throughout these uncertain times. This not only includes issues such as navigating the pandemic and the new trading rules resulting from leaving the EU but also technological change and regulatory impacts. It is a model which allows us to get to the core of the challenges being faced by our clients and help them to overcome them.

OUR BUSINESS PERFORMANCE

Just before the UK Government-mandated lockdown in March 2020, our business was trading strongly due to our continued double digit organic growth and the full year impact of our successful merger with Moore Stephens. The coronavirus crisis emerged, and we ended our 2020 financial year with profit £25m below our previous expectations and saw our profit per partner drop by 14%.

Since then, particularly from December 2020, while a number of our clients continued to suffer financial difficulties, the overall success of the UK's mid-sized businesses has helped us to be successful. We have benefitted from a high level of pent-up demand as well as the resumption of the strong growth we experienced before the crisis. These factors – combined with the tenacity and adaptability of our people and downward pressure on operational costs such as travel and events – have enabled us to post a strong set of financial results.

With a year end of June, the pandemic has led to significant fluctuations in our results for FY20 and FY21 and comparisons year-on-year have become less meaningful. Accordingly, as well as comparing our growth to last year, we also look back to FY19, our last full year before the onset of the crisis and consider annualised rates of change since that period. This latter yardstick more accurately demonstrates our underlying progress by smoothing out the volatility caused by the pandemic. Key highlights include:

- Our revenues increased to £731m – 12% annualised growth since FY19 (11% since FY20)
  - Audit stream revenues were £276m – 17% annualised growth since FY19 (12% since FY20)
  - Tax stream revenues were £194m – 7% annualised growth since FY19 (4% since FY20)
  - Advisory revenues grew to £261m – 11% annualised growth since FY19 (15% since FY20)
- Profit before tax was £203m – 22% annualised growth since FY19 (48% since FY20)
- Average profit per equity partner before taxation (PEP) was £760,000 – 12% annualised growth since FY19 (46% since FY20).

This business performance has allowed us to:

- Invest in, recognise and reward our people
- Recruit additional talent with employee headcount finishing the year at 5,481 versus 5,163 the previous year
- Invest £8m in refurbishing our offices to offer a pioneering working environment
- Commit to ongoing investment in our IT function (£40m) making it the firm's joint largest overhead alongside property and facilities for the first time
- Allocate a further £3m to support our ongoing commitment to quality in audit
- Remit business, VAT, employment and personal taxes of some £289m in 2021 and £235m in 2020 to HMRC.

This year we also paid back the £4.1m we applied for and received from the Coronavirus Job Retention Scheme. We received the grant at a time when our business faced great uncertainty from both Brexit and the pandemic and when jobs at BDO were at risk. We had been planning to review paying this back in June 2021 at the end of the financial year but, recognising that the public mood required a much quicker process, we accelerated this and returned the money before Christmas 2020.

FOREWORD
(CONTINUED)

A CHANGING REGULATORY ENVIRONMENT

We welcome the fact that audit reform continues to be an area of focus for the UK Government and the regulator, both of which have been taking steps to improve quality, choice and resilience in the market.

The UK competes internationally for the very best companies to list on the London market, and we believe improved corporate reporting will enhance our position as a world-class destination for investors. However, as we have cautioned in our consultation response, the UK Government's reforms must be proportionate and carefully managed to recognise the significance of growth markets – particularly as businesses emerge from the global pandemic.

Our well-established view is that long-term resilience relies on increasing the number of audit firms operating as sole auditors in the FTSE 350. We believe the introduction of market caps is the most practicable way to do this. Whilst we acknowledge that this is the most interventionist approach, it is the simplest solution which will achieve meaningful change within a desirable timeframe.

ESG

In addition to advising many clients on their environment, social and governance accountancy requirements, we are also taking steps to improve our own ESG record. In terms of our environmental impact, last year we committed ourselves to being a carbon neutral organisation. This year, we have maintained that status and are reducing our greenhouse gas emissions in line with the 1.5°C science-based target.

For the 15th year running, we continue to offer ten 'citizenship' days to our employees, as they utilise their professional skills to support communities who need them. Through launching a new summer school programme and our long-standing membership of Access Accountancy, we have also helped young people from low socio-economic backgrounds gain valuable work experience in professional services.

Finally, in terms of governance, we have a clear set of structures and policies to ensure we have the right levels of scrutiny and decision making within the business. These are set out in our 2021 Transparency Report available on our website.

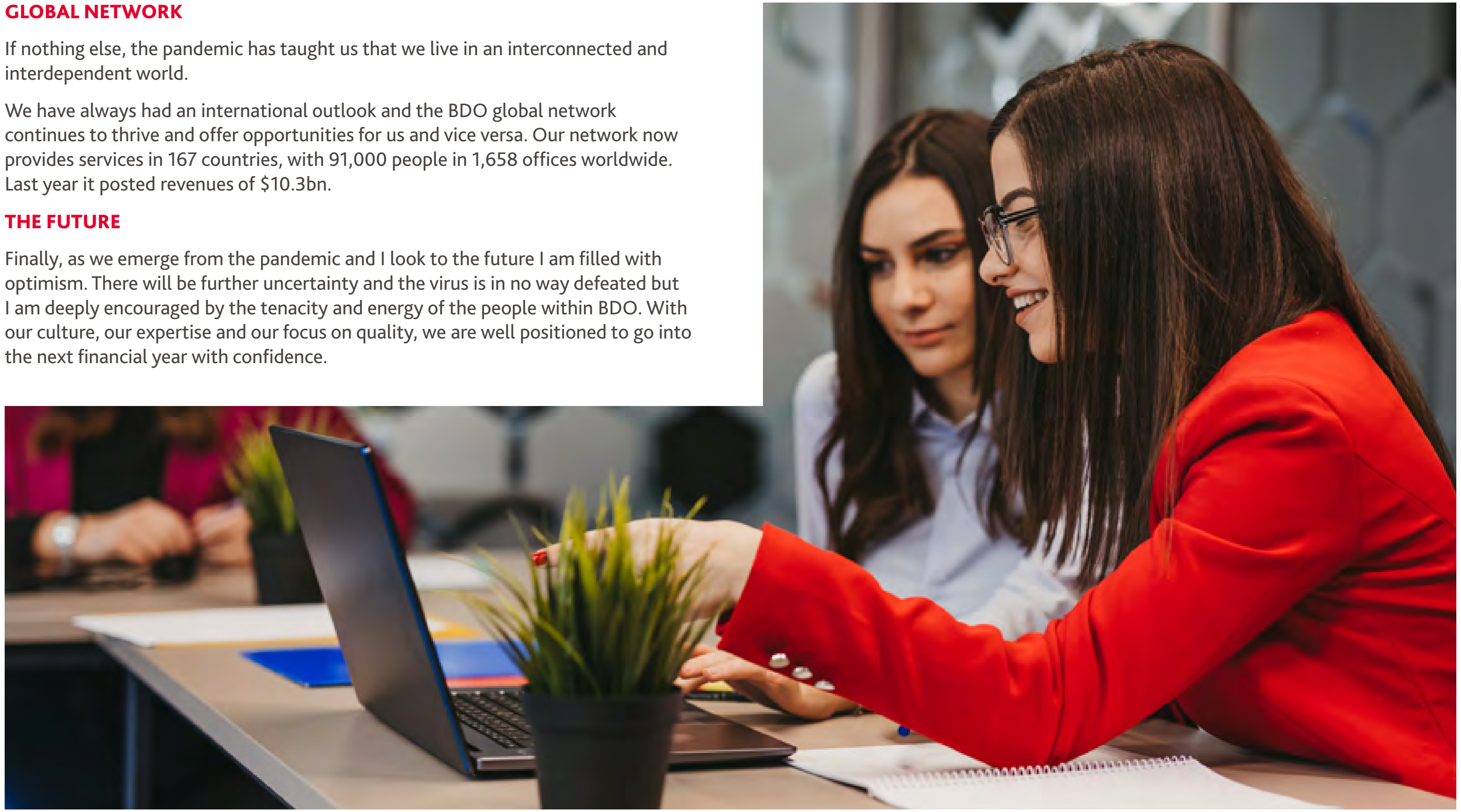
GLOBAL NETWORK

If nothing else, the pandemic has taught us that we live in an interconnected and interdependent world.

We have always had an international outlook and the BDO global network continues to thrive and offer opportunities for us and vice versa. Our network now provides services in 167 countries, with 91,000 people in 1,658 offices worldwide. Last year it posted revenues of $10.3bn.

THE FUTURE

Finally, as we emerge from the pandemic and I look to the future I am filled with optimism. There will be further uncertainty and the virus is in no way defeated but I am deeply encouraged by the tenacity and energy of the people within BDO. With our culture, our expertise and our focus on quality, we are well positioned to go into the next financial year with confidence.



MEMBERS' REPORT

FOR THE 52 WEEKS ENDED 2 JULY 2021

REGISTERED OFFICE

BDO LLP is registered in the UK as a limited liability partnership under the Limited Liability Partnerships Act 2000 and is referred to in these financial statements as "the LLP". The LLP's registered office is 55 Baker Street, London, W1U 7EU.

PRINCIPAL ACTIVITIES, SIGNIFICANT CHANGES AND FUTURE DEVELOPMENTS

The principal activity of BDO LLP (the 'LLP' or 'BDO') 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 subsidiary undertakings of the LLP are set out in note 12 to the financial statements.

The LLP is the UK representative firm of BDO International, a worldwide network of accountancy firms, serving national and international clients. Each BDO Member Firm is an independent legal entity in its own country.

BDO International's UK territory includes Northern Ireland. A separate firm operates in Northern Ireland under the name 'BDO'. This firm is not part of the Group and accordingly the results of the Northern Ireland firm are not included within the LLP's consolidated financial statements.

RESULTS

The Group's consolidated income statement for the 52 weeks ended 2 July 2021 is set out on page 12. The comparative period is for the 52 weeks ended 3 July 2020.

DESIGNATED MEMBERS

The following individuals were designated members (as defined in the Limited Liability Partnership Act 2000) throughout the year:

Paul Eagland, Scott Knight, Gervase MacGregor, Chris Grove, Wendy Walton, Matthew White, Jon Randall, Simon Gallagher, Andy Butterworth and Stuart Collins. Mark Sherfield retired as a designated member on 2 July 2021.

MEMBERS' PROFIT SHARES

Members are remunerated out of the profits of the LLP and are personally responsible for funding for their retirement. The Leadership Team sets members' profit shares and reviews the division on an annual basis. A proportion of profit is divided through the period based on the annual divisions.

Members' profit shares comprise interest on members' balances, a monetary first tranche and a second tranche based upon the number of points held by a member, the value of which is dependent upon the level of profit achieved.

The final division of profits is made after taking into account a variable third tranche (that may be awarded for exceptional performance or severance payments). There is transparency amongst the members of the total profit share divided between each individual. The taxation payable on the LLP's profits is a personal liability of the members during the period.

Retention from profits earned up to the statement of financial position date is made to fund payment of taxation on members' behalf. This is reflected in amounts due to members. 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 not yet due for payment 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.

MEMBERS' CAPITAL AND LOAN CAPITAL

Contributions to members' capital (liabilities) are made by members in such sums as are recommended by the Leadership Team and approved by the Partnership Council. Repayment after retirement is in accordance with the members' agreement.

Contributions to members' loan capital (amounts due to members (liabilities)) are made by members in such sums as are recommended by the Leadership Team and approved by the Partnership Council. Members' loan capital is repayable immediately on retirement.

AMOUNTS DUE TO FORMER MEMBERS

Former member balances are disclosed in the financial statements within payables.

DRAWINGS

The policy for members' drawings is to distribute the appropriate amount of profit during the financial period, taking into account the need to retain sufficient funds to settle members' income tax liabilities and to finance the working capital and other investment needs of the business. The Leadership Team sets the level of members' monthly drawings and reviews this at least annually. Undistributed amounts due to members are usually paid quarterly in the following year for continuing members.

MEMBERS' REPORT

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

GOING CONCERN

The Group has seen its business impacted by the emergence of the COVID-19 coronavirus and the actions taken by governments in order to reduce its spread, however overall performance remains satisfactory. The Leadership Team have carefully reviewed current results and prepared detailed trading and cash flow forecasts through to June 2023 as well as considering available banking facilities, other sources of finance and multiple scenarios.

These scenarios included:

- A base case which forms the basis of the group budget for the 2022 financial year. In this scenario, challenges posed by COVID-19 continue to ease and BDO is able to operate in a manner similar to the 2021 financial year
- A downside case which sees reduced demand for services offered by the group which continues until June 2023
- A severe downside case which incorporates a large reduction in revenue and a difficult trading environment also continuing until June 2023.

Liquidity is maintained under all three modelled scenarios through the period to June 2023. The group facilities were increased to £100m and extended in September 2021 with three leading banks, expiring in October 2024 with two further one-year extension options. The Leadership Team is confident the Group will maintain adequate levels of liquidity from its committed facilities and comply with all its banking covenants throughout the forecast period. Therefore, the going concern basis has been adopted in preparing the financial statements.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as the designated members are aware, there is no relevant audit information of which the LLP's auditors are unaware and the designated members have taken all the steps that they ought to have taken as designated members in order to make themselves aware of any relevant audit information and to establish that the LLP's auditors are aware of that information.

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations"), requires the members to prepare financial statements for each financial year.

Under that law the members have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, as applied to limited liability partnerships, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and limited liability partnership and of the profit or loss of the group and limited liability partnership for that period. In preparing the financial statements, the members are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable international accounting standards in conformity with requirements of the Companies Act 2006 have been followed for the group and the limited liability partnership financial statements, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and limited liability partnership will continue in business.

The members are also responsible for safeguarding the assets of the group and limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the group and limited liability partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations.

The members are responsible for the maintenance and integrity of the limited liability partnership's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Leadership Team

Paul Eagland

PAUL EAGLAND
MANAGING PARTNER
1 November 2021

ENERGY AND CARBON REPORT

FOR THE 52 WEEKS ENDED 2 JULY 2021

BDO LLP recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. Like many businesses, 2020/21 emissions will be unusually low due to lockdown limiting office use and reducing travel. We acknowledge next year's emissions will rise, rather than reduce still further, as people return to the office and to international business travel, and as we grow in size. However, as BDO transforms into an agile working firm, we continue to be committed to reducing our emissions.

PERFORMANCE

Our carbon footprint for the 2020 – 2021 reporting year has been calculated based on our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on both a location and market basis. On a location basis our emissions are 885 tCO2e, which is an average impact of 0.13 tCO2e per employee, and on a market basis our emissions are 692 tCO2e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures.

As consequence of the COVID-19 pandemic there has been a considerable reduction in scope 1 (41%) and scope 2 (57%) office related emissions, compared to the 2019 – 2020 reporting period, as well as scope 3 related activities (96%) due to a decrease in travel and office use as a result of lockdowns and site occupancy reduction.

ENERGY AND CARBON ACTION

In the period covered by the report BDO LLP has not undertaken any new energy saving initiatives. However, we have continued to push forward existing initiatives:

- We achieved carbon neutrality during 2020 and are committed to remaining carbon neutral
- We've embedded Sustainability into our plans for post-COVID office refurbishment as we move to permanent Agile Working (including reuse/recycling of furniture and reducing the number of printers).

RESULTS

The methodology used to calculate the GHG emissions is in accordance with the requirements of the following standards:

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)
- UK office emissions have been calculated using the Defra 2021 issue of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of July 2020 to June 2021 and using reporting period of July 2019 to June 2020 for comparison.

ENERGY AND CARBON REPORT

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

EMISSIONS AND ENERGY USAGE

Scope	Emissions source	2021	2020
Scope 1	Natural gas	99	165
	Company and leased cars	<1	3
Scope 2	Electricity	450	1,042
Scope 3	Electricity transmission and distribution	40	90
	Water	1	33
	Employee cars	46	644
	Rail	3	134
	International rail	<1	1
	Public transport	<1	<1
	Couriers	-	52
	Flights	236	6,342
	Paper	2	43
	Waste and recycling	8	243
Total tCO2e		**885**	**8,792**
Total energy usage (kWh)		**2,782,912**	**8,170,012**
Intensity ratio – tCO2e per employee		**0.13**	**1.39**

A list of members of the LLP can be found on the Companies House website using the following link:
https://find-and-update.company-information.service.gov.uk/company/OC305127/officers

Paul Eagland

PAUL EAGLAND
MANAGING PARTNER
1 November 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BDO LLP

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, BDO LLP's group financial statements and LLP financial statements (the "financial statements"):

- Give a true and fair view of the state of the group's and of the LLP's affairs as at 2 July 2021 and of the group's profit and the group's and LLP's cash flows for the 52 week period then ended
- Have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applied to limited liability partnerships
- Have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

We have audited the financial statements, included within the Annual Report 2021 (the "Annual Report"), which comprise: the consolidated and LLP statements of financial position as at 2 July 2021; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and LLP statements of cash flows, and the consolidated and LLP statements of changes in equity and members' interests for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the LLP's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the LLP's ability to continue as a going concern.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BDO LLP
(CONTINUED)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE MEMBERS FOR THE FINANCIAL STATEMENTS

As explained more fully in the statement of members' responsibilities in respect of the financial statements, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the group's and the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the group or the LLP or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to professional indemnity claims, where the Group is subject to a number of disputes in the ordinary course of business which may give rise to claims by clients or investigations commenced by regulatory bodies which may lead to regulatory proceedings, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to earnings and costs so as to manipulate results, and management bias in accounting estimates, particularly related to the assessment of the billable value of unbilled revenue on client assignments and expected credit loss against trade receivables. Audit procedures performed by the engagement team included:

- For a sample of unbilled revenue on client assignment balances, testing to post year-end billing, and held discussions with engagement partners, to confirm the reasonableness of assumptions
- Holding discussions with management regarding the valuation of the Group's receivables and the approach adopted towards bad debt provisioning, aligned with IFRS 9
- Reviewing the levels of debt write-offs during the year to assess management's historical accuracy of estimating provisions
- Performing analytical procedures over the make-up of both unbilled revenue and accounts receivable, and have performed additional enquiries around trends that appear unexpected
- Testing a sample of journals that meet our risk of fraud criteria
- With regards to professional indemnity claims, holding discussions with senior management and in-house legal counsel to update our understanding of the nature of these, and tested movements in the provision through to relevant supporting documentation
- Examining the legal expense account
- Reviewing board minutes and the whistleblowing register to ensure that the matters discussed are consistent with our understanding and other audit evidence obtained.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BDO LLP
(CONTINUED)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT (CONTINUED)

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving these opinions, 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.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit
- Adequate accounting records have not been kept by the LLP, or returns adequate for our audit have not been received from branches not visited by us
- The LLP financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

John Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 November 2021

CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEKS ENDED 2 JULY 2021

	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Revenue	4	**730.8**	660.4
Less other external charges: expenses and disbursements on client assignments		**(36.0)**	(38.6)
Net revenue		**694.8**	621.8
Operating expenses	6	**(502.4)**	(490.2)
Other operating income	6	**14.0**	9.8
Operating profit	6	**206.4**	141.4
Net finance charges	7	**(3.2)**	(4.7)
Profit before tax		**203.2**	136.7
Tax expense in corporate subsidiaries	8	**(5.4)**	(4.1)
Profit for the financial period before members' remuneration charged as an expense		**197.8**	132.6
Members' remuneration charged as an expense		**(11.2)**	(15.0)
Profit for the financial period available for discretionary division among members		**186.6**	117.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 2 JULY 2021

	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Profit for the financial period available for discretionary division among members		**186.6**	117.6
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss:			
Pension scheme net actuarial gain/(loss)	18	**7.3**	(6.7)
Other comprehensive income/(expense) for the year		**7.3**	(6.7)
Total comprehensive income		**193.9**	110.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 2 JULY 2021

	Note	2 July 2021 (£m)	3 July 2020 (£m)
Assets			
Non-current assets			
Intangible assets	9	27.8	35.7
Property, plant and equipment	10	16.4	15.5
Right of use assets	11	110.7	127.5
Other receivables	13	1.7	0.9
		156.6	179.6
Current assets			
Trade and other receivables	13	160.8	140.8
Contract assets	13	75.1	63.3
Cash and bank balances		111.1	155.0
		347.0	359.1
Total assets		503.6	538.7
Liabilities			
Current liabilities			
Trade and other payables	14	81.3	117.2
Contract liabilities	14	27.0	5.1
Lease liabilities	11	18.7	19.9
Loans and borrowings	14	42.1	67.3
		169.1	209.5

(CONTINUED)	Note	2 July 2021 (£m)	3 July 2020 (£m)
Non-current liabilities			
Loans and borrowings	14	9.1	10.4
Members' capital	14	1.3	1.3
Amounts due to members	14	184.5	167.3
Provisions	15	20.7	23.3
Employee benefits – pension liability	18	8.8	16.9
Lease liabilities	11	98.6	120.8
		323.0	340.0
Total liabilities		492.1	549.5
Net assets/(liabilities) attributable to members		11.5	(10.8)
Equity			
Members' other reserves		11.5	(10.8)
Represented by:			
Members' capital	14	1.3	1.3
Amounts due to members	14	184.5	167.3
Members' other reserves		11.5	(10.8)
Total members' interests		197.3	157.8

The financial statements on pages 12 to 59 were authorised for issue on 1 November 2021 and signed on behalf of the members of BDO LLP by:

PAUL EAGLAND
MANAGING PARTNER

STUART COLLINS
FINANCE PARTNER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE 52 WEEKS ENDED 2 JULY 2021

2020	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members' interests (£m)
At 5 July 2019	0.9	1.3	165.9	**168.1**
Comprehensive income for the year:				
Members' remuneration charged as an expense	-	-	15.0	**15.0**
Profit for the period available for discretionary division among members	117.6	-	-	**117.6**
Other comprehensive expense for the year:				
Pension scheme net actuarial loss	(6.7)	-	-	**(6.7)**
Total comprehensive income for the year	110.9	-	15.0	**125.9**
Contributions by and distributions to members:				
Allocated profit	(122.6)	-	122.6	**-**
Introduced by members	-	-	5.3	**5.3**
Repaid to members	-	-	(3.9)	**(3.9)**
Amounts reclassified as amounts due to former members within payables	-	-	(3.7)	**(3.7)**
Drawings and distributions	-	-	(133.9)	**(133.9)**
At 3 July 2020	(10.8)	1.3	167.3	**157.8**

(CONTINUED)

2021	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members' interests (£m)
At 3 July 2020	(10.8)	1.3	167.3	**157.8**
Comprehensive income for the year:				
Members' remuneration charged as an expense	-	-	11.2	**11.2**
Profit for the period available for discretionary division among members	186.6	-	-	**186.6**
Other comprehensive income for the year:				
Pension scheme net actuarial gain	7.3	-	-	**7.3**
Total comprehensive income for the year	193.9	-	11.2	**205.1**
Contributions by and distributions to members:				
Allocated profit	(171.6)	-	171.6	**-**
Introduced by members	-	-	6.0	**6.0**
Repaid to members	-	-	(4.8)	**(4.8)**
Amounts reclassified as amounts due to former members within payables	-	-	(11.1)	**(11.1)**
Drawings and distributions	-	-	(155.7)	**(155.7)**
At 2 July 2021	11.5	1.3	184.5	**197.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 2 JULY 2021

	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Cash flows from operating activities			
Profit for the period		**186.6**	117.6
Amortisation and impairment of intangibles	9	**7.9**	5.1
Depreciation of property, plant and equipment	10	**4.9**	6.5
Depreciation and impairment of right-of-use assets	11	**18.5**	23.9
Loss on disposal of intangibles		**-**	(0.3)
Difference between pension charge and cash contributions	18	**(0.8)**	(0.8)
Finance expense	7	**3.3**	4.9
Finance income	7	**(0.1)**	(0.2)
Tax expense	8	**5.4**	4.1
Members' remuneration charged as an expense		**11.2**	15.0
(Increase)/decrease in trade and other receivables		**(33.4)**	19.9
(Decrease)/increase in trade and other payables		**(14.7)**	27.9
Decrease in provisions		**(2.8)**	(2.9)
Cash generated from operations		**186.0**	220.7
UK corporation tax paid		**(3.9)**	(6.8)
Net cash flow generated from operating activities		**182.1**	213.9

(CONTINUED)	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Investing activities			
Purchase of property, plant and equipment	10	(5.8)	(6.1)
Purchase of intangibles	9	-	(4.0)
Proceeds from the sale of intangibles		-	0.4
Net cash used in investing activities		**(5.8)**	(9.7)
Financing activities			
Drawings and distributions to members		**(155.7)**	(133.9)
Introduced by members		**6.0**	5.3
Repaid to members		**(4.8)**	(3.9)
Amounts repaid to former members		**(4.6)**	(9.1)
Proceeds from loans and borrowings	14	**-**	45.0
Loan repayments	14	**(33.0)**	(3.0)
Interest paid		**(3.2)**	(4.8)
Interest received		**0.1**	0.2
Lease liabilities paid		**(25.0)**	(20.9)
Net cash used in financing activities		**(220.2)**	(125.1)
Net (decrease)/increase in cash and cash equivalents		**(43.9)**	79.1
Cash and cash equivalents at beginning of period		**155.0**	75.9
Cash and cash equivalents at end of period		**111.1**	155.0

LLP STATEMENT OF FINANCIAL POSITION

AS AT 2 JULY 2021

	Note	2 July 2021 (£m)	3 July 2020 (£m)
Assets			
Non-current assets			
Intangible assets	9	8.9	9.3
Property, plant and equipment	10	4.4	6.1
Right of use assets	11	85.4	100.4
Investments in subsidiary undertakings	12	3.3	3.3
Other receivables	13	0.9	0.9
		102.9	120.0
Current assets			
Trade and other receivables	13	164.8	149.9
Contract assets	13	75.1	63.3
Cash and bank balances		106.1	129.3
		346.0	342.5
Total assets		448.9	462.5

(CONTINUED)	Note	2 July 2021 (£m)	3 July 2020 (£m)
Liabilities			
Current liabilities			
Trade and other payables	14	40.1	79.7
Contract liabilities	14	27.0	5.1
Lease liabilities	11	15.0	14.8
Loans and borrowings	14	62.0	55.6
		144.1	155.2
Non-current liabilities			
Loans and borrowings	14	3.8	2.1
Members' capital	14	1.3	1.3
Amounts due to members	14	184.5	167.3
Provisions	15	11.9	13.0
Employee benefits – pension liability	18	8.8	16.9
Lease liabilities	11	74.2	93.5
		284.5	294.1
Total liabilities		428.6	449.3
Net assets attributable to members		20.3	13.2

LLP STATEMENT OF FINANCIAL POSITION

AS AT 2 JULY 2021 (CONTINUED)

	Note	2 July 2021 (£m)	3 July 2020 (£m)
Equity			
Members' other reserves		**20.3**	13.2
Represented by:			
Members' capital	14	**1.3**	1.3
Amounts due to members	14	**184.5**	167.3
Members' other reserves		**20.3**	13.2
Total members' interests		**206.1**	181.8

As permitted by section 408 of the Companies Act 2006 no separate income statement is presented for the LLP. The LLP's profit available for discretionary division among members for the period was £171.4m (2020: £105.0m).

The financial statements of pages 12 to 59 were approved and authorised for issue on 1 November 2021 and signed on behalf of the members of BDO LLP by:

PAUL EAGLAND
MANAGING PARTNER

STUART COLLINS
FINANCE PARTNER

LLP STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE 52 WEEKS ENDED 2 JULY 2021

	Other reserves (equity)	Members' capital (liabilities)	Amounts due to members' (liabilities)	Total members' interests
2020	**(£m)**	**(£m)**	**(£m)**	**(£m)**
At 5 July 2019	37.0	1.3	166.4	**204.7**
Comprehensive income for the year:				
Members' remuneration charged as an expense	-	-	14.0	**14.0**
Profit for the period available for discretionary division among members	105.0	-	-	**105.0**
Other comprehensive expense for the year:				
Pension scheme net actuarial loss	(6.7)	-	-	**(6.7)**
Total comprehensive income for the year	98.3	-	14.0	**112.3**
Contributions by and distributions to members:				
Allocated profit	(122.1)	-	122.1	**-**
Introduced by members	-	-	5.3	**5.3**
Repaid to members	-	-	(3.9)	**(3.9)**
Amounts reclassified as amounts due to former members within payables	-	-	(3.7)	**(3.7)**
Drawings and distributions	-	-	(132.9)	**(132.9)**
At 3 July 2020	13.2	1.3	167.3	**181.8**

(CONTINUED)	Other reserves (equity)	Members' capital (liabilities)	Amounts due to members' (liabilities)	Total members' interests
2021	**(£m)**	**(£m)**	**(£m)**	**(£m)**
At 3 July 2020	13.2	1.3	167.3	**181.8**
Comprehensive income for the year:				
Members' remuneration charged as an expense	-	-	10.1	**10.1**
Profit for the period available for discretionary division among members	171.4	-	-	**171.4**
Other comprehensive income for the year:				
Pension scheme net actuarial gain	7.3	-	-	**7.3**
Total comprehensive income for the year	178.7	-	10.1	**188.8**
Contributions by and distributions to members:				
Allocated profit	(171.6)	-	171.6	**-**
Introduced by members	-	-	6.0	**6.0**
Repaid to members	-	-	(4.8)	**(4.8)**
Amounts reclassified as amounts due to former members within payables	-	-	(11.1)	**(11.1)**
Drawings and distributions	-	-	(154.6)	**(154.6)**
At 2 July 2021	20.3	1.3	184.5	**206.1**

LLP STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 2 JULY 2021

	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Cash flows from operating activities			
Profit for the period		**171.4**	105.0
Amortisation of intangibles	9	**0.4**	0.5
Depreciation of property, plant and equipment	10	**2.3**	2.8
Depreciation of right-of-use assets	11	**14.8**	15.1
Difference between pension charge and cash contributions	18	**(0.8)**	(0.8)
Finance expense		**2.7**	3.8
Finance income		**(0.5)**	(0.9)
Members' remuneration charged as an expense		**10.1**	14.0
(Increase)/decrease in trade and other receivables		**(26.7)**	62.4
(Decrease)/increase in trade and other payables		**(17.7)**	18.1
Decrease in provisions		**(1.2)**	(0.4)
Net cash flow generated from operating activities		**154.8**	219.6
Investing activities			
Purchase of property, plant and equipment	10	**(0.6)**	(2.6)
Net cash used in investing activities		**(0.6)**	(2.6)

(CONTINUED)	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Financing activities			
Drawings and distributions to members		**(154.6)**	(132.9)
Introduced by members		**6.0**	5.3
Repaid to members		**(4.8)**	(3.9)
Amounts repaid to former members		**(4.6)**	(9.1)
Proceeds from loans and borrowings	14	**11.6**	40.0
Loan repayments	14	**(10.0)**	-
Interest paid		**(2.6)**	(3.7)
Interest received		**0.5**	0.9
Lease liabilities paid		**(18.9)**	(15.0)
Net cash used in financing activities		**(177.4)**	(118.4)
Net (decrease)/increase in cash and cash equivalents		**(23.2)**	98.6
Cash and cash equivalents at beginning of period		**129.3**	30.7
Cash and cash equivalents at end of period		**106.1**	129.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021

1. ACCOUNTING POLICIES

BDO LLP is a UK limited liability partnership registered in England and Wales under number OC305127. The registered office is 55 Baker Street, London, W1U 7EU. This section also refers to new accounting standards, amendments and interpretations and their expected impact, if any, on the performance of the Group.

This section contains the Group's significant accounting policies that relate to the financial statements as a whole. Significant accounting policies specific to an accounting area are included within the note dealing with that accounting area. Accounting policies relating to non-material items are not included in these financial statements.

BASIS OF PREPARATION

The consolidated financial statements of the BDO Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 as applied to Limited Liability Partnerships, and requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the chosen accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3. The results and financial position of each subsidiary undertaking are expressed in sterling, which is the functional currency of the LLP and the presentation currency for the financial statements.

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention, except for the treatment of certain financial instruments, and applicable international accounting standards in conformity with the requirements of the Companies Act 2006. The Group has seen its business impacted by the emergence of the COVID-19 coronavirus and the actions taken by governments in order to reduce its spread, however overall performance remains satisfactory. The Leadership Team have carefully reviewed current results and prepared detailed trading and cash flow forecasts through to June 2023 as well as considering available banking facilities, other sources of finance and multiple scenarios.

These scenarios included:

- A base case which forms the basis of the group budget for the 2022 financial year. In this scenario, challenges posed by COVID-19 continue to ease and BDO is able to operate in a manner similar to the 2021 financial year
- A downside case which sees reduced demand for services offered by the group which continues until June 2023
- A severe downside case which incorporates a large reduction in revenue and a difficult trading environment also continuing until June 2023.

Liquidity is maintained under all three modelled scenarios through the period to June 2023. The group facilities were increased to £100m and extended in September 2021 with three leading banks, expiring in October 2024 with two further one-year extension options. The Leadership Team is confident the Group will maintain adequate levels of liquidity from its committed facilities and comply with all its banking covenants throughout the forecast period. Therefore, the going concern basis has been adopted in preparing the financial statements.

BASIS OF CONSOLIDATION

The financial statements consolidate the results and financial position of the LLP and all its subsidiary undertakings. Intragroup transactions, balances and profits or losses on intra-group transactions have been eliminated. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Control exists where the Group has exposure to variable returns from subsidiary undertakings and has the ability to use its power to influence and affect the variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in these elements of control. Uniform accounting policies have been applied across the Group.

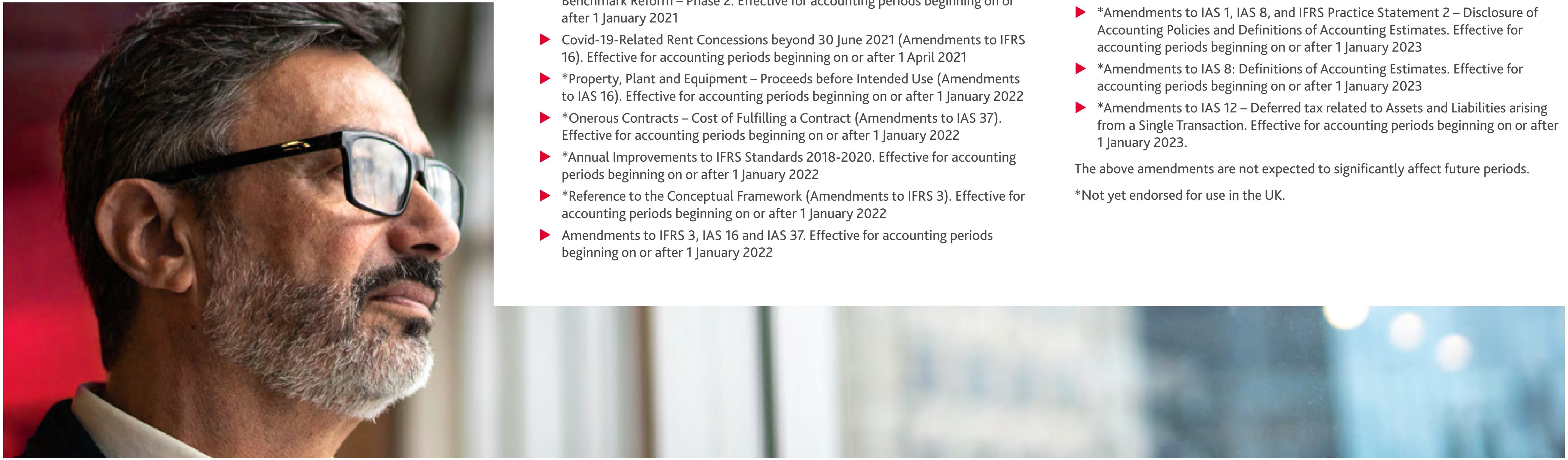
NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded in sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the date of the statement of financial position and the gains and losses on translation are included in the income statement.



NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

A number of amendments to standards have been adopted during the year but none of them had a material effect.

New standards and amendments to existing standards not yet effective are:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2. Effective for accounting periods beginning on or after 1 January 2021
- Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16). Effective for accounting periods beginning on or after 1 April 2021
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16). Effective for accounting periods beginning on or after 1 January 2022
- *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37). Effective for accounting periods beginning on or after 1 January 2022
- *Annual Improvements to IFRS Standards 2018-2020. Effective for accounting periods beginning on or after 1 January 2022
- *Reference to the Conceptual Framework (Amendments to IFRS 3). Effective for accounting periods beginning on or after 1 January 2022
- Amendments to IFRS 3, IAS 16 and IAS 37. Effective for accounting periods beginning on or after 1 January 2022
- *IFRS 17 Insurance Contracts, including Amendments to IFRS 17. Effective for accounting periods beginning on or after 1 January 2023
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current – Deferral of Effective Date. Effective for accounting periods beginning on or after 1 January 2023
- *Amendments to IAS 1, IAS 8, and IFRS Practice Statement 2 – Disclosure of Accounting Policies and Definitions of Accounting Estimates. Effective for accounting periods beginning on or after 1 January 2023
- *Amendments to IAS 8: Definitions of Accounting Estimates. Effective for accounting periods beginning on or after 1 January 2023
- *Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction. Effective for accounting periods beginning on or after 1 January 2023.

The above amendments are not expected to significantly affect future periods.

*Not yet endorsed for use in the UK.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

2. REVENUE

Revenue is recognised when services are transferred to the client at an amount that reflects the consideration to which the firm expects to be entitled in exchange for those services. Revenues are recognised applying IFRS 15 on an over time basis where contracts give the firm the right to receive payment for work performed to date.

Performance obligations are assessed for each contract and the transaction price is spread over the performance obligation. Progress towards complete satisfaction of the performance obligations is measured using time and costs incurred as a proportion of total estimated time and costs but excluding Value Added Tax.

Contingent revenue is constrained in estimating contract revenue, in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the associated uncertainty with the variable consideration is subsequently resolved. Unbilled revenue on individual client assignments is included as contract assets within trade and other receivables. Where individual on-account billings exceed revenue on client assignments, the excess is classified as contract liability within trade and other payables. Performance obligations are generally satisfied within a year of such billing.

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The principal estimates that could have significant effect upon the Group's financial results relate to:

- The billable value of unbilled revenue on client assignments
- Expected credit loss against trade receivables
- Goodwill impairment.

In addition, the net deficit or surplus disclosed for each defined benefit pension scheme and annuity provisions are sensitive to movements in the related actuarial assumptions, in particular the discount rate, inflation, and mortality. Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued. There are no critical judgements to note, however the Group and LLP have categorised members remuneration in the statement of cashflows in the financing section, and although not a critical judgement it is still a judgement to note. Further details of estimates and judgements are set out in the related notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

4. ANALYSIS OF REVENUE, OPERATING PROFIT AND TOTAL MEMBERS' INTEREST BY BUSINESS STREAM

	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Revenue		
Audit	**276.4**	246.9
Advisory	**260.5**	226.3
Tax	**193.9**	187.2
	730.8	660.4
Operating profit		
Audit	**65.0**	46.9
Advisory	**67.4**	42.7
Tax	**76.8**	63.9
Unallocated	**(2.8)**	(12.1)
	206.4	141.4
Total members interests		
Audit	**57.7**	45.1
Advisory	**64.6**	60.9
Tax	**56.9**	48.5
Unallocated	**18.1**	3.3
	197.3	157.8

All of the revenue arose from continuing operations in the UK with the exception of an immaterial amount of revenue generated by the group's international subsidiaries.

Total members interest attributable to the business streams include property related assets and liabilities, net client receivables, accrued income and specific staff liabilities. All other assets and liabilities including balances with partners, cash and debt, other provisions and retirement benefit balances are not directly attributable to the streams. Unallocated items affecting operating profit represent central costs that are not directly attributable to the streams.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

5. EMPLOYEES AND MEMBERS

ACCOUNTING POLICY

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans. See note 18 for further details.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Staff costs (excluding members) consist of:		
Wages and salaries	**291.4**	255.2
Settlement costs	**1.0**	0.5
Social security costs	**30.4**	27.8
Other pension costs	**20.7**	20.5
	343.5	304.0

	Number	Number
Audit	**2,277**	2,154
Advisory	**1,630**	1,440
Tax	**980**	1,037
Central support	**594**	532
	5,481	5,163

The average number of members was 267 (2020: 264). The key management of the LLP are those that serve on the Leadership Team. The full-time equivalent number of members serving on the Leadership Team during the year to 2 July 2021 was 8 (2020: 8). The estimated profit attributable to the members of the Leadership Team amounts to £16.6m (2020: £11.1m).

Certain members received £11.2m (2020: £15.0m) in respect of their services to the Group, which has been charged to the income statement as members' remuneration charged as an expense.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

6. GROUP OPERATING PROFIT

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

	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Depreciation of property, plant and equipment – owned	10	**4.9**	6.5
Amortisation of intangibles	9	**4.4**	5.1
Impairment of intangibles	9	**3.5**	-
Profit on disposal of intangibles		**-**	(0.3)
Short term leases		**-**	0.7
Depreciation and impairment of right-of-use assets	11	**18.5**	23.9
Employee costs	5	**343.5**	304.0
Provisions charge	15	**0.9**	2.2
Other*		**126.7**	148.1
Services provided by and fees payable to the Group's auditors:			
Audit of the LLP and consolidated financial statements		**0.2**	0.1
Audit of the Group's subsidiaries pursuant to legislation		**0.1**	0.1

*Other primarily comprises of property related costs, IT operating costs, professional fees, employee training and recruitment costs.

Other operating income is stated after crediting income received through sub-letting land and buildings of £3.2m (2020: £4.2m). Other operating income also includes £1.4m (2020: £2.7m) received from the Coronavirus Job Retention Scheme. All furlough funds received from the scheme during the 2020 and 2021 financial years were returned totalling £4.1m. There were £nil (2020: £1.4m) impairment losses on financial and contract assets during the year.

In April 2021, the International Accounting Standards Board issued a clarification on the treatment of costs relating to 'software as a service'. As a result of this clarification, £3.5m of software capitalised prior to the 2021 financial year was impaired.

7. NET FINANCE CHARGES

	Note	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Finance expense:			
Bank loans and overdrafts		**(0.9)**	(2.3)
Net interest cost on pension liabilities	18	**(0.2)**	(0.1)
Interest on lease liabilities and property dilapidations	11 & 15	**(2.2)**	(2.5)
		(3.3)	(4.9)
Finance income:			
Short term deposits and investments		**0.1**	0.2
		0.1	0.2
Net finance expense		**(3.2)**	(4.7)

Interest on lease liabilities and property dilapidations includes a £0.2m interest charge on property dilapidations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

8. TAX EXPENSE IN CORPORATE SUBSIDIARIES

ACCOUNTING POLICY

The financial statements do not include any charge or liability for taxation on the results of the LLP as the relevant income tax is the responsibility of the individual members. The LLP aims to retain sufficient funds to settle members' income tax liabilities on their behalf, in relation to their share of profit for the period. This is reflected in members' interests.

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

Deferred tax is provided in full at tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, in respect of taxation of the subsidiary companies that is deferred by temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised where recoverability is probable.

Corporation tax arises in corporate subsidiaries as follows:

	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Current tax	**6.2**	3.8
Deferred tax charge	**(0.8)**	0.3
Total tax expense	**5.4**	4.1
Factors affecting the tax charge for the period:		
Profit on ordinary activities of corporate subsidiaries before taxation	**33.1**	26.0
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**6.3**	4.9
Impact of items not deductible for tax purposes	**1.6**	1.2
Income not subject to taxation	**(2.3)**	(2.0)
Adjustment in deferred tax due to change in corporation tax rate	**(0.2)**	-
	5.4	4.1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

8. TAX EXPENSE IN CORPORATE SUBSIDIARIES (CONTINUED)

TAX STRATEGY

BDO LLP complies with its duty under paragraph 22(2) Schedule 19 Finance Act 2016 in respect of the period ending 2 July 2021 and publishes its strategy in accordance with paragraph 16(4) Schedule 19 Finance Act 2016 by including it in BDO LLP's annual report for the year ended 2 July 2021. A list of the entities to which this strategy applies is as follows:

- BDO LLP Ltd
- BDO Services Ltd (Indirect group interest)
- Clinton Avenue Properties Ltd
- BDO Employment Services Ltd (Indirect group interest)
- BDO Holdings Ltd (Indirect group interest)
- BDO Nominees Ltd
- BDO IFI Services Ltd
- New Garden House Pension Trustees Ltd
- BDO Trustees Ltd
- The Client Trustee Company Ltd
- TBW Trustees Ltd
- BDO Pension Trustees Ltd
- BDO Pension Trustees No2 Ltd
- BDO Trustees (MS) Ltd
- Snow Hill Trustees Ltd
- Stoy Hayward Properties
- Stoy Hayward Properties No. 2

References to 'BDO', 'the firm', 'our' and 'we' are to all those entities.

This strategy is effective in respect of the accounting period ending 1 July 2022 or until superseded. We operate as a UK Limited Liability Partnership with a number of wholly owned subsidiaries. The capital of BDO LLP is contributed by its members who consist of individuals.

APPROVAL OF STRATEGY

The tax strategy has been approved by the Leadership Team of BDO LLP and is in line with the overall strategy and operation of the business.

MANAGEMENT OF UK TAX RISKS

The Leadership Team of BDO is responsible for the Group's tax strategy. The Leadership Team has established a Tax strategy Board, which consists of three senior tax individuals and three senior finance individuals, including the Head of Tax and the firm's Finance partner respectively, who are responsible for implementing the firm's tax strategy. The Head of Tax chairs the Tax Strategy Board and reports directly to the Leadership Team. The Head of Tax is responsible for preparing the tax strategy. Tax risks are escalated to the Leadership Team as appropriate as part of this governance framework. We are committed to full compliance with all statutory obligations and full disclosure to tax authorities. We aim to file all our tax returns on or before the due date and pay all our tax liabilities on time.

WORKING WITH HMRC

We seek to maintain an open positive relationship with HMRC. We have regular correspondence and meetings with our HMRC Customer Compliance Manager.

OTHER RELEVANT INFORMATION RELATING TO TAX

We are the UK member of BDO International and therefore we conduct our business predominantly in the UK. However, some transactions and operations require the consideration of Non-UK tax matters and we apply the same strategy adopted for UK tax matters, as set out above, to Non-UK tax matters.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

9. INTANGIBLE ASSETS

GOODWILL

The acquisition method of accounting is used to account for business combinations. Goodwill arises on acquisitions and business combinations where the fair value of the consideration given exceeds the fair value of the separately identifiable assets and liabilities transferred. Associated costs are written off as incurred. Goodwill is capitalised as an intangible asset with an indefinite life, with any impairment in carrying value being charged to the consolidated statement of comprehensive income. The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. It does this by allocating the carrying value of goodwill to cash generating units (CGU's) and then comparing the carrying value of each CGU with its recoverable amount. The recoverable amount of the CGU has been determined based on value in use (VIU) calculations. The members are satisfied that no further impairment provision was required against the carrying value of the Group's goodwill at the current or previous financial year end. The use of the VIU method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. The future cash flows used in the VIU calculation are based on financial budgets approved by management, based on prior year profit experience extrapolated to the five year period to June 2026. We have assumed a growth rate of 0.4% (2020: 2.7%) within the next five years, to account for the uncertainty on the future economy. The discount rates used in the VIU calculation are based on a pre-tax estimated weighted average cost of capital of 9% (2020: 9%). At 2 July 2021, the carrying amount of the Group's goodwill was £11.7m (2020: £11.7m). The largest element of goodwill held within the Group is £7.0m in respect of trade acquired by the group in 2008. A reasonable change in the key assumptions does not have a significant impact on the difference between value in use and the carrying value. The CGU's are at the business stream level as this is the lowest level that the Group monitors goodwill and for which financial information can be obtained.

CUSTOMER RELATIONSHIPS

The fair value of separately identifiable intangible assets acquired as part of the acquisition in 2019 of certain trade and assets of Moore Stephens LLP, was evaluated and Customer Relationships of £26.9m were identified and capitalised. These assets will be amortised over their useful lives of between 5.4 and 7.4 years.

OTHER INTANGIBLE ASSETS

Computer software comprises purchased software licenses and costs directly associated with the development of software for internal use, which will generate future economic benefits. Computer software is measured at cost less accumulated amortisation and any recognised impairment loss. Amortisation is provided on a straight-line basis over the expected useful economic lives, typically three to ten years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

Group	Customer relationships (£m)	Goodwill (£m)	Computer software (£m)	Total (£m)
Cost				
At 5 July 2019	26.8	11.7	0.6	39.1
Additions	-	-	4.0	4.0
Disposals	(0.1)	-	-	(0.1)
At 3 July 2020 and 2 July 2021	**26.7**	**11.7**	**4.6**	**43.0**
Accumulated amortisation/impairment				
At 5 July 2019	1.8	-	0.4	2.2
Amortisation charge for the year	4.4	-	0.7	5.1
At 3 July 2020	6.2	-	1.1	7.3
Amortisation charge for the year	4.4	-	-	4.4
Impairment	-	-	3.5	3.5
At 2 July 2021	**10.6**	**-**	**4.6**	**15.2**
Net carrying amount at 5 July 2019	25.0	11.7	0.2	36.9
Net carrying amount at 3 July 2020	20.5	11.7	3.5	35.7
Net carrying amount at 2 July 2021	**16.1**	**11.7**	**-**	**27.8**

LLP	Customer relationships (£m)	Goodwill (£m)	Total (£m)
Cost			
At 5 July 2019, 3 July 2020 and 2 July 2021	**3.0**	**7.0**	**10.0**
Accumulated amortisation/impairment			
At 5 July 2019	0.2	-	0.2
Amortisation charge for the year	0.5	-	0.5
At 3 July 2020	0.7	-	0.7
Amortisation charge for the year	0.4	-	0.4
At 2 July 2021	**1.1**	**-**	**1.1**
Net carrying amount at 5 July 2019	2.8	7.0	9.8
Net carrying amount at 3 July 2020	2.3	7.0	9.3
Net carrying amount at 2 July 2021	**1.9**	**7.0**	**8.9**

Amortisation of intangible assets is included in operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment is stated at historic cost less accumulated depreciation.

The cost of property, plant and equipment is written off by equal annual instalments over the expected useful economic lives of the assets concerned. Cost includes expenditure that is directly attributable to the acquisition of the asset and any expected cost of reinstatement that has been provided. The depreciation rates applied to property, plant and equipment are as follows:

- **Leasehold improvements:** Five to fifteen years, or the life of the lease if lower
- **Fixtures, fittings and computer equipment:** Two to ten years
- **Motor vehicles:** 18.75% per annum of cost for the first four years, 6.25% for the final four years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Motor vehicles (£m)	Total (£m)
Cost				
At 5 July 2019	40.9	18.3	0.1	59.3
Reclassification due to IFRS16	(1.2)	-	-	(1.2)
Derecognised	-	(3.7)	-	(3.7)
Additions	1.9	4.2	-	6.1
Disposals	-	(1.7)	-	(1.7)
At 3 July 2020	41.6	17.1	0.1	58.8
Additions	2.1	3.7	-	5.8
Disposals	(1.9)	(0.1)	-	(2.0)
At 2 July 2021	**41.8**	**20.7**	**0.1**	**62.6**

(CONTINUED)

Group	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Motor vehicles (£m)	Total (£m)
Accumulated amortisation/impairment				
At 5 July 2019	29.4	13.0	0.1	42.5
Reclassification due to IFRS16	(0.8)	-	-	(0.8)
Derecognised	-	(3.2)	-	(3.2)
Charge for the period	4.7	1.8	-	6.5
Disposals	-	(1.7)	-	(1.7)
At 3 July 2020	33.3	9.9	0.1	43.3
Charge for the period	2.5	2.4	-	4.9
Disposals	(1.9)	(0.1)	-	(2.0)
At 2 July 2021	**33.9**	**12.2**	**0.1**	**46.2**
Net carrying amount at 5 July 2019	11.5	5.3	-	16.8
Net carrying amount at 3 July 2020	8.3	7.2	-	15.5
Net carrying amount at 2 July 2021	**7.9**	**8.5**	**-**	**16.4**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

LLP	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Motor vehicles (£m)	Total (£m)
Cost				
At 5 July 2019	33.6	5.1	0.1	38.8
Reclassification due to IFRS16	(1.8)	-	-	(1.8)
Additions	1.5	1.1	-	2.6
Disposals	-	-	(0.1)	(0.1)
At 3 July 2020	33.3	6.2	-	39.5
Additions	0.3	0.3	-	0.6
Disposals	-	(0.1)	-	(0.1)
At 2 July 2021	**33.6**	**6.4**	**-**	**40.0**

(CONTINUED) LLP	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Motor vehicles (£m)	Total (£m)
Accumulated amortisation/impairment				
At 5 July 2019	27.5	4.0	0.1	31.6
Reclassification due to IFRS16	(0.9)	-	-	(0.9)
Charge for the period	2.5	0.3	-	2.8
Disposals	-	-	(0.1)	(0.1)
At 3 July 2020	29.1	4.3	-	33.4
Charge for the period	1.8	0.5	-	2.3
Disposals	-	(0.1)	-	(0.1)
At 2 July 2021	**30.9**	**4.7**	**-**	**35.6**
Net carrying amount at 5 July 2019	6.1	1.1	-	7.2
Net carrying amount at 3 July 2020	4.2	1.9	-	6.1
Net carrying amount at 2 July 2021	**2.7**	**1.7**	**-**	**4.4**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

11. LEASES

During the prior financial year, the Group adopted IFRS 16.

TRANSITION METHOD AND PRACTICAL EXPEDIENTS UTILISED

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (6 July 2019), without restatement of comparative figures.

For leases previously classified as an operating lease under IAS17, the Group measured its lease liabilities at the date of initial application at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at that date which was 1.6% on 6 July 2019. On initial application, right-of-use assets for leases previously classified as an operating lease under IAS 17 were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining and/or of low value as of the date of initial application.

LESSEE ACCOUNTING

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability increased for:

- Lease payments made at or before commencement of the lease
- Initial direct costs incurred
- The amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 15).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease or, when there is a lease modification, (it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

11. LEASES (CONTINUED)

NATURE OF LEASING ACTIVITIES (IN THE CAPACITY AS LESSEE)

The group leases a number of properties. All property leases have periodic rent that is fixed over the lease term. The group also leases certain items of plant and equipment. Leases of plant, equipment comprise only fixed payments over the lease terms. These leases are low in value and have not been considered as part of IFRS16 application. The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- The length of the lease term
- The economic stability of the environment in which the property is located
- Whether the location represents a new area of operations for the group.

The COVID-19 pandemic has changed the way BDO utilises its leased real estate. As a result, during the 2021 financial year a break clause in a single lease was exercised. This resulted in £0.7m (2020: £nil) of right-of-use assets and lease liabilities being derecognised due to lease modifications.

Right of use assets – Land and buildings	Group (£m)	LLP (£m)
Cost		
At 5 July 2019	148.9	115.5
Additions	2.5	-
At 3 July 2020	151.4	115.5
Additions	2.4	0.5
Modifications	(0.7)	(0.7)
At 2 July 2021	**153.1**	**115.3**
Accumulated depreciation		
At 5 July 2019	-	-
Charge for the period	23.9	15.1
At 3 July 2020	23.9	15.1
Charge for the period	18.2	14.8
Impairment	0.3	-
At 2 July 2021	**42.4**	**29.9**
Net carrying amount		
At 5 July 2019	148.9	115.5
At 3 July 2020	127.5	100.4
At 2 July 2021	**110.7**	**85.4**

Lease liabilities – Land and buildings	Group (£m)	LLP (£m)
At 5 July 2019	159.4	123.3
Additions	2.2	-
Interest expense	2.5	1.9
Lease payments	(23.4)	(16.9)
At 3 July 2020	140.7	108.3
Additions	2.3	0.5
Interest expense	2.0	1.5
Lease payments	(27.0)	(20.4)
Modifications	(0.7)	(0.7)
At 2 July 2021	**117.3**	**89.2**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

11. LEASES (CONTINUED)

Low value leases – Group	52 weeks ended 2 July 2021 (£m)	52 weeks ended 3 July 2020 (£m)
Low value lease expense	2.3	4.0

The LLP does not have any low value leases.

Total commitments on lease liabilities	Group 2 July 2021 (£m)	Group 3 July 2020 (£m)	LLP 2 July 2021 (£m)	LLP 3 July 2020 (£m)
Up to 1 year	**18.7**	19.9	**15.0**	14.8
Between 1 and 2 years	**18.4**	18.3	**14.5**	14.7
Between 2 and 5 years	**53.2**	53.9	**42.1**	43.0
Over 5 years	**27.0**	48.6	**17.6**	35.8
	117.3	140.7	**89.2**	108.3

12. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

LLP	2 July 2021 (£m)	3 July 2020 (£m)
Shares in Group undertakings:		
At beginning and end of period	**3.3**	3.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

The undertakings in which the LLP has an interest at the period end are as follows:

Subsidiary undertakings	Country of incorporation, registration and operation	Proportion of voting rights, ordinary share capital held	Nature of business
Registered at 55 Baker Street, London, W1U 7EU			
BDO LLP Ltd	England and Wales	100%	Professional services
Clinton Avenue Properties Ltd	England and Wales	100%	Property services
New Garden House Properties Ltd	England and Wales	100%	Dissolved 29/7/2021
New Garden House Pension Trustees Ltd	England and Wales	100%	Trustee
BDO Trustees Ltd	England and Wales	100%	Trustee
The Clients Trustee Company Ltd	England and Wales	100%	Trustee
TBW Trustees Ltd	England and Wales	100%	Trustee
BDO Pension Trustees Ltd	England and Wales	100%	Trustee
BDO Pension Trustees No2 Ltd	England and Wales	100%	Trustee
BDO Trustees (MS) Ltd	England and Wales	100%	Trustee
Snow Hill Trustees Ltd	England and Wales	100%	Trustee
Stoy Hayward Properties	England and Wales	100%	Property services
Stoy Hayward Properties No. 2	England and Wales	100%	Property services
BDO Nominees Ltd	England and Wales	100%	Nominee
Indirect group interests:			
BDO Services Ltd	England and Wales	100%	Professional services
BDO Employment Services Ltd	England and Wales	100%	Professional services
Chiltern Tax Support for Professionals Ltd	England and Wales	100%	Dissolved 3/8/2021
BDO IFI Services Ltd	England and Wales	100%	Professional services
BDO Holdings Ltd	England and Wales	100%	Holding company

Subsidiary undertakings	Country of incorporation, registration and operation	Proportion of voting rights, ordinary share capital held	Nature of business
Registered at Maison Trinity, Trinity Square, St Peter Port, Guernsey, GY1 4AT			
SH Insurance Limited	Guernsey	100%	Insurance
Registered at: Suite 5, 4 Watergardens, Waterport, Gibraltar			
Moore Stephens IFI Services Ltd	Gibraltar	100%	Professional services
Registered at: 1 Pembi Close, Glen Lorne, Harare, Zimbabwe			
BDO IFI Pvt Ltd	Zimbabwe	100%	Professional services
Registered at: Plot number 893, Mosi-O-Tunya road, Woodlands, Lusaka, Zambia			
BDO IFI Lusaka	Zambia	100%	Professional services
Registered at: 81 Sekou Toure Ave, PO Box 1921, Mamba Point, Monrovia, Liberia			
BDO IFI Monrovia SARL	Liberia	49%	Professional services
Registered at: Building Old East, Place de L'independence, Bujumbura, Burundi			
BDO IFI Bujumbura	Burundi	100%	Professional services
MS IFI Bujumbura	Burundi	100%	Professional services
Registered at: Corniche du Fleuve, Victoria Tower Bldg, 4th Floor, Beirut, Lebanon			
BDO IFI Beirut	Lebanon	80%	Professional services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise cash and bank balances and trade and other receivables.

AMORTISED COST

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest.

They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. This is the same treatment as in the previous accounting period.

Impairment provisions for current and non current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within operating expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Unbilled revenue on individual client assignments is included as contract assets. Contract assets are measured initially at fair value and held at amortised cost less provisions for expected credit losses.

The carrying value of trade receivables and unbilled revenue was assessed at the end of the financial year. Expected credit losses in respect trade receivables have been applied. Expected credit losses in respect of contract assets of £nil (2020: £1.4m) have been applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group 2 July 2021 (£m)	Group 3 July 2020 (£m)	LLP 2 July 2021 (£m)	LLP 3 July 2020 (£m)
Current				
Trade receivables	**154.7**	126.6	**154.3**	126.3
Provision for impairment	**(10.0)**	(11.8)	**(10.0)**	(11.8)
Net trade receivables	**144.7**	114.8	**144.3**	114.5
Other receivables	**3.4**	4.9	**1.7**	2.3
Amounts owed by Group undertakings	**-**	-	**12.9**	24.6
Total financial assets held at amortised cost	**148.1**	119.7	**158.9**	141.4
Prepayments	**12.7**	19.5	**5.9**	8.5
Corporation tax	**-**	1.6	**-**	-
Contract assets	**75.1**	63.3	**75.1**	63.3
Total trade and other receivables	**235.9**	204.1	**239.9**	213.2
Non-current				
Other receivables	**0.9**	0.9	**0.9**	0.9
Deferred tax assets	**0.8**	-	**-**	-
	1.7	0.9	**0.9**	0.9

The carrying value of trade and other receivables classified as financial assets are measured at amortised cost. All amounts shown under receivables for the Group and LLP, with the exception of non-current receivables, are expected to fall due for payment within one year. Amounts owed to group undertakings are unsecured, interest free and repayable on demand. Credit risk for receivables from group entities has not increased significantly since their initial recognition.

Non-current other receivables relates to accrued consideration in respect of the Group's disposal of BDO Ltd in 2018. This is due to be fully repaid by 2024.

At 2 July 2021, the lifetime expected loss provision for trade receivables for the group and LLP is based upon the possible impact of the pandemic and other economic factors such as Brexit.

Other receivables include £0.1m (2020: £nil) relating to the fair value of an interest rate swap. The financial instrument was surrendered during October 2021 at which point it had a favourable valuation of £0.3m.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Gross carrying amount (£m)	Loss provision (£m)	Expected loss rate %
2 July 2021			
Current	**114.3**	**0.5**	**0.4%**
31-60 days overdue	**13.3**	**0.2**	**1.5%**
61-90 days overdue	**7.5**	**0.2**	**2.7%**
91-270 days overdue	**12.3**	**2.4**	**19.5%**
>270 days overdue	**7.3**	**6.7**	**91.8%**
	154.7	**10.0**	**6.5%**
3 July 2020			
Current	86.6	2.5	2.9%
31-60 days overdue	13.0	0.4	3.1%
61-90 days overdue	9.1	0.2	2.2%
91-270 days overdue	11.7	2.9	24.8%
>270 days overdue	6.2	5.8	93.5%
	126.6	11.8	9.3%

	Group 2 July 2021 (£m)	Group 3 July 2020 (£m)	LLP 2 July 2021 (£m)	LLP 3 July 2020 (£m)
Movements in the impairment allowance for trade receivables are as follows:				
At beginning of period	**11.8**	5.4	**11.8**	5.4
Increase during the year	**3.7**	7.2	**3.7**	7.2
Unused amounts reversed	**(4.2)**	(0.2)	**(4.2)**	(0.2)
Receivables written off during the year as uncollectable	**(1.3)**	(0.6)	**(1.3)**	(0.6)
At end of period	**10.0**	11.8	**10.0**	11.8
The following shows the ageing of trade receivables:				
Current	**114.3**	86.6	**113.9**	86.3
31-60 days overdue	**13.3**	13.0	**13.3**	13.0
61-90 days overdue	**7.5**	9.1	**7.5**	9.1
91-270 days overdue	**12.3**	11.7	**12.3**	11.7
>270 days overdue	**7.3**	6.2	**7.3**	6.2
Total	**154.7**	126.6	**154.3**	126.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

14. FINANCIAL LIABILITIES

ACCOUNTING POLICIES

The Group's and LLP's other financial liabilities comprise:

Loans and borrowings – these are initially recognised at fair value net of any transaction costs and are subsequently measured at amortised cost using the effective interest rate method, which ensures that the interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position.

Trade payables and other payables – these are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Contract liabilities represent revenue received in advance of satisfying the performance obligations connected to contracts with customers. The carrying amount of these liabilities approximates their fair value.

Lease liabilities – these are recognised as per the accounting policy in note 11.

Trade and other payables	Group 2 July 2021 (£m)	Group 3 July 2020 (£m)	LLP 2 July 2021 (£m)	LLP 3 July 2020 (£m)
Current				
Trade payables	**7.9**	6.4	**6.1**	3.3
Other payables	**2.5**	-	**0.2**	-
Accruals	**42.5**	58.0	**12.7**	31.3
Total financial liabilities held at amortised cost	**52.9**	64.4	**19.0**	34.6
Other taxation and social security	**27.7**	52.8	**21.1**	45.1
Corporation tax	**0.7**	-	-	-
Contract liabilities	**27.0**	5.1	**27.0**	5.1
Total trade and other payables	**108.3**	122.3	**67.1**	84.8

The carrying amount of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

14. FINANCIAL LIABILITIES (CONTINUED)

During the financial year ended 2 July 2021, £5.1m (2020: £3.6m) in both the Group's and LLP's recorded contract liabilities at 3 July 2020 was recognised as revenue.

Loans and borrowings	Group 2 July 2021 (£m)	Group 3 July 2020 (£m)	LLP 2 July 2021 (£m)	LLP 3 July 2020 (£m)
Current				
Bank loans	**33.0**	63.0	**30.0**	40.0
Amounts owed to group undertakings	-	-	**22.9**	11.3
Amounts due to former members and partners	**9.1**	4.3	**9.1**	4.3
	42.1	67.3	**62.0**	55.6
Non-current				
Bank loans	**5.3**	8.3	-	-
Amounts due to former members and partners	**3.8**	2.1	**3.8**	2.1
Loans and borrowings (excluding members)	**9.1**	10.4	**3.8**	2.1
Members' capital	**1.3**	1.3	**1.3**	1.3
Amounts due to members	**184.5**	167.3	**184.5**	167.3
	194.9	179.0	**189.6**	170.7
Total loans and borrowings	**237.0**	246.3	**251.6**	226.3

During the year the group drew on its bank facilities by way of a £30m (2020: £40m) revolving credit facility and a £15m loan was drawn in 2019. £8.3m (2020: £11.3) was outstanding in respect of the loan and £30m (2020: £20m) was outstanding in respect of the revolving credit facility, at the end of the financial period. The final loan repayment is due on 31 January 2024. Interest is payable at 1.25% (2020: 1.25%) above LIBOR for the rolling credit facility and 1.5% (2020: 1.5%) above LIBOR for the loan. See note 19 for additional information relating to group facilities and updates subsequent to the period end.

AMOUNTS DUE TO FORMER AND CURRENT MEMBERS

The amounts due to former and current members and partners comprise the amounts repayable in accordance with the members' agreement and the related cash flows are classified as financing in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

15. PROVISIONS

ACCOUNTING POLICIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Professional indemnity

In common with comparable professional practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims by clients or investigations commenced by regulatory bodies which may lead to regulatory proceedings. Where costs are likely to be incurred in defending and concluding such matters and can be measured reliably, they are provided for in the financial statements. The Group carries professional indemnity insurance, and any expected reimbursements are recognised when material and virtually certain. In the statement of comprehensive income, the expense relating to a provision is presented net of the amount recognised for the insurance reimbursement. No separate disclosure is made of the detail of such claims or proceedings, or the costs recovered by insurance as further disclosure could be seriously prejudicial to 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 provided for as they arise.

Group	Annuities (£m)	Professional indemnity (£m)	Property (£m)	Total (£m)
At 3 July 2020	7.7	5.2	10.4	**23.3**
Utilisation of provision	(0.5)	(2.8)	(0.2)	**(3.5)**
(Released)/charged to income statement	(0.5)	1.8	(0.4)	**0.9**
At 2 July 2021	6.7	4.2	9.8	**20.7**

LLP	Annuities (£m)	Professional indemnity (£m)	Property (£m)	Total (£m)
At 3 July 2020	0.2	6.9	5.9	**13.0**
Utilisation of provision	(0.1)	(2.8)	(0.1)	**(3.0)**
Charge to income statement	-	1.8	0.1	**1.9**
At 2 July 2021	0.1	5.9	5.9	**11.9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

15. PROVISIONS (CONTINUED)

ANNUITIES

On 1 February 2019 BDO Services Ltd, a Group entity, acquired certain trade and assets of Moore Stephens LLP. This included the acquisition of former partner annuities amounting to £6.9m. These annuities have been valued by Barnett Waddingham as at 2 July 2021. The remainder of the annuities totalling £0.2m (2020: £0.2m) relate to the former general partnership in the LLP and are for a fixed amount over a fixed period of time and therefore no actuarial assumptions are required. See note 18 for the accounting policy relating to post employment benefits.

	2 July 2021	3 July 2020
Annuities	%	%
Key actuarial assumptions:		
Discount rate	**1.8**	1.3
Rate of inflation	**3.5**	3.2

The underlying mortality assumptions is based upon the PNA00 mortality base tables with future improvements in line with CMI2017 projection tables subject to a long-term rate of improvement of 1% p.a.

	2 July 2021	3 July 2020
Male currently aged 65	**22.7**	22.6
Male currently aged 70	**18.3**	18.2

	2 July 2021	3 July 2020
Remeasurement	(£m)	(£m)
Remeasurement – Experience gain on liabilities	**(0.4)**	(0.2)
Remeasurement – (Gains)/losses from changes to financial assumptions	**(0.2)**	0.6
Total remeasurement	**(0.6)**	0.4
Reconciliation of annuity obligation		
Obligation at start of period	**7.5**	7.5
Interest cost	**0.1**	0.1
Benefits paid	**(0.5)**	(0.5)
Remeasurement	**(0.6)**	0.4
Obligation at the end of the period	**6.5**	7.5
Sensitivities		
0.1% p.a. decrease in the discount rate	0.1	0.3
0.1% p.a. increase in the assumed rates of inflation	-	-
10% decrease in the assumed long-term rate of mortality improvements	0.3	0.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

15. PROVISIONS (CONTINUED)

PROFESSIONAL INDEMNITY

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.

PROPERTY PROVISIONS

The property provisions are based on estimated future cash flows discounted to present value, with the amortisation of that discount presented in the income statement as a finance cost. The weighted average incremental borrowing rate (IBR) applied to new property provisions for the period ended 2 July 2021 was 1.3% (2020: 1.6%).

16. RELATED PARTY TRANSACTIONS

The subsidiary undertakings listed in note 12 are related parties of the LLP. The transactions entered into with subsidiaries during the period are eliminated on consolidation. These transactions include management charges and charges for the cost of services provided.

The following table provides the total amount of transactions entered into with subsidiaries during the period:

LLP	2 July 2021 (£m)	3 July 2020 (£m)
Income earned from subsidiaries	67.2	73.6
Purchases from subsidiaries	(507.9)	(488.1)
Finance income	0.3	-

The main trading subsidiary undertakings, BDO Services Limited and BDO LLP Limited, are managed by seven Directors who are also members of the BDO LLP group. Each director received between £20,000 and £220,000 (2020: £nil and £220,000) in salary for their services. The largest entitlement to remuneration, was £220k (2020: £220k). There were no management personnel compensation for any type of benefits. The total management compensation was £1.1m (2020: £0.9m).

17. CONTINGENT LIABILITIES

ACCOUNTING POLICY

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably.

Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

CLAIMS AND REGULATORY PROCEEDINGS

In common with comparable professional practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims by clients or investigations commenced by regulatory bodies which may lead to regulatory proceedings. Where costs are likely to be incurred in defending and concluding such matters and can be measured reliably, they are provided for in the financial statements. The Group carries professional indemnity insurance, and no separate disclosure is made of the detail of such claims or proceedings, or the costs recovered by insurance. Further disclosure could be seriously prejudicial to the group. Provisions in respect of these claims held at the reporting date are disclosed net of amounts expected to be recovered from insurers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

18. PENSIONS

ACCOUNTING POLICY

The Group operates defined benefit and defined contribution schemes, along with Group Personal Pension arrangements for its staff. Assets covering these arrangements are held in independently administered funds held separately from the assets of the Group.

The pension costs in the consolidated financial statements are determined in accordance with IAS 19 Employee Benefits.

In respect of the defined benefit schemes, formal actuarial valuations are carried out every three years. An annual valuation is carried out by the scheme actuaries at each year-end for the purposes of IAS 19. The Group's income statement includes the net effect of the interest income on scheme assets and the interest cost on scheme liabilities. Actuarial gains and losses are recognised directly to members' interests through the consolidated statement of comprehensive income.

Staff pension costs relating to the Group's defined contribution scheme and Group personal pension arrangements are charged to the income statement 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 LLP have been provided in full within provisions for liabilities.

THE SCHEMES

The BDO Pension Scheme ('the Scheme') has two sections: a funded defined benefit section ('DB') and a defined contribution section ('DC'). The Scheme's assets are held separately from those of the Group. The DB section is closed to future accrual of benefit.

The scheme is administered by a separate board of trustees which is legally separate from the LLP. The trustees are composed of representatives of both the firm and the members within the pension scheme. The trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

The Group took over the obligations in respect of two funded defined benefit schemes (BDO ES Schemes) on merging with PKF (UK) LLP. These schemes are closed to future accrual of benefit.

In addition, the Firm operates three Group Personal Pension Plans, one which has operated since 2011 and a Group Personal Pension Plan transferred to the Group on merging with PKF (UK) LLP and a Group Personal Pension Plan transferred to the Group on acquisition of certain trade and assets of Moore Stephens LLP.

The LLP also has obligations to pay pensions and allowances to certain former partners, which are provided for within the financial statements as a provision for annuities payable.

The amounts quoted in these financial statements for all three defined benefit schemes are based on a full valuation of the Scheme as at the period end as undertaken for IAS 19 purposes.

SPECIAL EVENTS (SETTLEMENTS, CURTAILMENTS, PAST SERVICE COSTS)

In the 2020 financial year, a 1.1% and 1.3% increase to the non-equalised liabilities of the BDO Pension Scheme and BDO ES Pension Scheme respectively was included as a current service cost.

On 20 November 2020 it was confirmed that schemes have a duty to pay top ups to previous transfer values paid (plus interest) where the payment in respect of any guaranteed minimum pension benefits (GMP's) element of the transfer amount was not on a sex equalised basis.

No material increase in the pension liabilities was necessary during the current year as a result of this confirmation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

18. PENSIONS (CONTINUED)

RISKS

The firm is exposed to a number of risks through the scheme, of which the most significant is below.

Liability risk

Liabilities have been calculated by discounting the benefits using the yields on suitable AA-rated corporate bonds, whereas the schemes do not invest solely in such bonds. To that extent there is a mismatch between the assets and the liabilities (for accounting purposes) which means that the assets and liabilities (and hence the surplus or deficit) can be volatile between different accounting periods, depending on general movements in the market.

The combined net defined benefit liability for all schemes as at the period end for both Group and LLP is:

	2 July 2021 (£m)	3 July 2020 (£m)
Defined benefit obligation	**(109.8)**	(117.0)
Fair value of plan assets	**101.0**	100.1
Net defined benefit liability	**(8.8)**	(16.9)

BDO PENSION SCHEME

The DB section of the BDO Pension 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 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.

Since 7 August 2011, the DC section of the scheme has closed to new joiners and future contributions for UK members. The existing members were given an option to transfer to the Firm's Group Personal Pension Plan. There are no outstanding or prepaid contributions to these arrangements as at 2 July 2021 (2020: £nil). The assets and liabilities of the DB section of the BDO Pension Scheme have been valued for IAS 19 purposes by a qualified actuary from Broadstone Pensions & Investments Limited on 30 June 2021. The BDO Pension Scheme has a number of pensioner members whose benefits have been secured by the purchase of annuity policies, owned by the relevant beneficiary. The corresponding asset and liability are not recognised in these notes. During the period, the Group paid contributions to the DB section of £nil
(2020: £nil).

In addition, the Group pays the costs of administering the Scheme. The ongoing contribution level has been agreed to be £nil per annum as a result of the formal Actuarial valuation of the Scheme, conducted under the new Scheme Funding Regulations (Pensions Act 2004) as at 30 June 2018 by Broadstone Pensions and Investments Limited.

BDO ES PENSION SCHEMES

The BDO ES Pension Scheme (formerly PKF Final Salary Pension Scheme) was closed to both new members and future accrual on 31 March 1997. The assets and liabilities of the Pannell Kerr Forster Pension Fund were transferred into the scheme effective from 31 January 2006.

The BDO ES (Manchester) Pension Fund (formerly PKF (Manchester) Pension Fund) closed to future accrual with effect from 31 August 2002. For reporting purposes, the assets and liabilities of this scheme have been combined with the BDO ES Pension Scheme on the basis that they are not material to report separately.

At 2 July 2021 the schemes were showing a net defined benefit liability of £5.3m (2020: £9.8m).

There are no outstanding or prepaid contributions to these arrangements as at 30 June 2021 (2020: £nil).

The assets and liabilities of the BDO ES Pension Schemes have been valued for IAS 19 purposes by a qualified actuary from Broadstone Pensions & Investments Limited on 30 June 2021.

During the period, the Group paid contributions of £1.1m (2020: £0.9m). In addition, the Group pays the costs of administering the Scheme. The most recent signed actuarial valuations, conducted under the new Scheme Funding Regulations (Pensions Act 2004), of the two BDO ES Schemes were carried out on 1 April 2020 by Broadstone and on 1 May 2019 (BDO ES (Manchester) Fund) by Aviva. The ongoing contribution levels were set at £1.1m and £0.1m per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

18. PENSIONS (CONTINUED)

DEFINED CONTRIBUTION ARRANGEMENT

In the period the Group paid £nil contributions (2020: £nil) to the DC section of the BDO Pension Scheme. There is no adjustment under IAS19 for this section of the scheme.

In July 2010 the UK Government announced that the statutory minimum level of revaluation would in future be calculated using the Consumer Prices Index ("CPI"), rather than the Retail Prices Index ("RPI"). In the schemes, revaluation of deferred pensions is in line with the statutory minimum, and therefore an assumption has been made about future rates of CPI in order to value deferred pensions.

The underlying mortality assumption is based upon the SAPS (Series 3) mortality base tables with future improvements in line with CMI2020 projection tables subject to a long-term rate of improvement of 1% pa.

Key actuarial assumptions		2 July 2021	3 July 2020
Discount rate	%	**1.8**	1.4
Rate of inflation – RPI	%	**3.5**	3.2
Rate of inflation – CPI	%	**2.9**	2.6
Commutation – Percentage of pension	%	**20.0**	20.0
Life expectancies from age 65:			
Male currently aged 65	Years	**86.7**	86.8
Female currently aged 65	Years	**89.1**	89.1
Male currently aged 45	Years	**87.7**	87.8
Female currently aged 45	Years	**90.2**	90.2

Sensitivity analysis

The sensitivity of the present value of the defined benefit obligations to changes in each of the individual principal actuarial assumptions is shown below:

Increase in net defined benefit liability	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
0.1% p.a. decrease in the discount rate	0.9	0.5	**1.4**
0.1% p.a. increase in the assumed rates of inflation	0.2	0.1	**0.3**
0.5% increase in the assumed long term rate of mortality improvements	0.9	0.6	**1.5**
3 July 2020			
0.1% p.a. decrease in the discount rate	1.1	0.6	**1.7**
0.1% p.a. increase in the assumed rates of inflation	0.3	0.1	**0.4**
0.5% increase in the assumed long term rate of mortality improvements	1.2	0.7	**1.9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

18. PENSIONS (CONTINUED)

Reconciliation of funded status to statement of financial position	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
Defined benefit obligation	(67.1)	(42.7)	**(109.8)**
Fair value of plan assets	63.6	37.4	**101.0**
Net defined benefit liability	(3.5)	(5.3)	**(8.8)**
3 July 2020			
Defined benefit obligation	(71.3)	(45.7)	**(117.0)**
Fair value of plan assets	64.2	35.9	**100.1**
Net defined benefit liability	**(7.1)**	**(9.8)**	**(16.9)**

Reconciliation of defined benefit obligation over the period	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
Defined benefit obligation at the start of the period	(71.3)	(45.7)	**(117.0)**
Interest expense on defined benefit obligation	(1.0)	(0.6)	**(1.6)**
Past service cost	-	(0.1)	**(0.1)**
Remeasurement – experience adjustment gain	0.2	0.4	**0.6**
Remeasurement – changes in financial assumptions gain	2.8	1.6	**4.4**
Benefits paid	2.2	1.7	**3.9**
Defined benefit obligation at the end of the period	(67.1)	(42.7)	**(109.8)**
3 July 2020			
Defined benefit obligation at the start of the period	(64.6)	(42.0)	**(106.6)**
Interest expense on defined benefit obligation	(1.4)	(0.8)	**(2.2)**
Remeasurement – experience adjustment gain	0.1	0.4	**0.5**
Remeasurement – financial assumptions loss	(8.4)	(5.1)	**(13.5)**
Remeasurement – changes in demographic assumptions loss	(0.1)	(0.1)	**(0.2)**
Benefits paid	3.1	1.9	**5.0**
Defined benefit obligation at the end of the period	(71.3)	(45.7)	**(117.0)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

18. PENSIONS (CONTINUED)

Assets	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
Equities and property	10.4	6.7	**17.1**
Bonds	8.5	5.8	**14.3**
Multi-asset	8.6	3.9	**12.5**
Diversified funds	17.2	9.3	**26.5**
Liability driven investment	15.2	8.7	**23.9**
Other assets	0.2	0.6	**0.8**
Annuity policies	3.5	2.4	**5.9**
	63.6	37.4	**101.0**
3 July 2020			
Equities and property	8.7	5.7	**14.4**
Bonds	8.2	6.8	**15.0**
Gilts	-	0.4	**0.4**
Diversified funds	22.8	7.3	**30.1**
Liability driven investment	20.2	8.5	**28.7**
Other assets	0.4	0.3	**0.7**
Annuity policies	3.9	6.9	**10.8**
	64.2	35.9	**100.1**

Reconciliation of fair value of plan assets over the period	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
Fair value of plan assets at the start of the period	64.2	35.9	**100.1**
Interest income on plan assets	0.9	0.5	**1.4**
Remeasurement – return on plan assets excluding interest income	0.7	1.6	**2.3**
Contributions by the employer	-	1.1	**1.1**
Benefits paid	(2.2)	(1.7)	**(3.9)**
Fair value of plan assets at the end of the period	63.6	37.4	**101.0**
Return on plan assets	1.6	2.1	**3.7**
3 July 2020			
Fair value of plan assets at the start of the period	61.5	34.1	**95.6**
Interest income on plan assets	1.4	0.7	**2.1**
Remeasurement – return on plan assets excluding interest income	4.4	2.1	**6.5**
Contributions by the employer	-	0.9	**0.9**
Benefits paid	(3.1)	(1.9)	**(5.0)**
Fair value of plan assets at the end of the period	64.2	35.9	**100.1**
Return on plan assets	5.8	2.8	**8.6**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

18. PENSIONS (CONTINUED)

Reconciliation of funded position	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
Net defined benefit liability at start of period	(7.1)	(9.8)	**(16.9)**
Expense recognised in income statement	(0.1)	(0.2)	**(0.3)**
Profit recognised in statement of comprehensive income	3.7	3.6	**7.3**
Contributions by the employer	-	1.1	**1.1**
Net defined benefit liability at end of period	(3.5)	(5.3)	**(8.8)**
3 July 2020			
Net defined benefit liability at start of period	(3.1)	(7.9)	**(11.0)**
Expense recognised in income statement	-	(0.1)	**(0.1)**
Loss recognised in statement of comprehensive income	(4.0)	(2.7)	**(6.7)**
Contributions by the employer	-	0.9	**0.9**
Net defined benefit liability at end of period	(7.1)	(9.8)	**(16.9)**

Analysis of charge to income statement	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
Past service cost	-	(0.1)	**(0.1)**
Net interest expense on net defined benefit liability	(0.1)	(0.1)	**(0.2)**
	(0.1)	(0.2)	**(0.3)**
3 July 2020			
Net interest expense on net defined benefit liability	-	(0.1)	**(0.1)**
	-	(0.1)	**(0.1)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

18. PENSIONS (CONTINUED)

Remeasurements recognised in statement of comprehensive income	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
2 July 2021			
Remeasurement – experience adjustments gain	0.2	0.4	**0.6**
Remeasurement – changes in financial assumptions gain	2.8	1.6	**4.4**
Remeasurement – return on plan assets excl. interest income gain	0.7	1.6	**2.3**
Total gain recognised in statement of comprehensive income	3.7	3.6	**7.3**
3 July 2020			
Remeasurement – experience adjustments gain	0.1	0.4	**0.5**
Remeasurement – changes in financial assumptions loss	(8.4)	(5.1)	**(13.5)**
Remeasurement – changes in demographic assumptions loss	(0.1)	(0.1)	**(0.2)**
Remeasurement – return on plan assets excl. interest income gain	4.4	2.1	**6.5**
Total loss recognised in statement of comprehensive income	(4.0)	(2.7)	**(6.7)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Group and LLP is exposed through its operations to the following financial risks:

- Capital risk
- Credit risk
- Interest rate risk
- Foreign exchange risk
- Liquidity risk

The Leadership Team has overall responsibility for the determination of the Group's and LLP's financial risk management objectives and policies. The Leadership Team receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's and LLP's competitiveness and flexibility. Further details regarding the financial risk policies are described below.

CAPITAL RISK

The Group and LLP monitors its capital which comprises total member's interests, i.e. members' capital, amounts due to members and amounts classified as equity, cash and bank balances and its loans and borrowings. The Group's and LLP's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for all of its stakeholders and optimise its debt and equity balance.

CREDIT RISK

Credit risk is the risk of financial loss to the Group and LLP if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Group and LLP is mainly exposed to credit risk through credit sales. Credit risk is determined by on-going monitoring of the creditworthiness of existing clients and through on-going review of the trade receivables' ageing analysis. Further details regarding the credit risk associated with trade receivables and contract assets are given in note 13. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted. The Group's principal bankers and their current long-term Fitch credit ratings are NatWest Group Plc (A), Lloyds Banking Group Plc (A), and HSBC Holdings Plc (A+).

INTEREST RATE RISK

Interest rate risk arises from borrowings held at variable interest rates linked to London interbank offered rate (LIBOR). A movement of 100 basis points in the interest rate on the Group's and LLP's variable rate borrowings through the year would not have had and would not have a material impact over the next year, on the pre-tax profits of the Group.

FOREIGN EXCHANGE RISK

Foreign exchange risk arises when the group entity enters into transactions denominated in a currency other than its functional currency (UK sterling). The major part of the Group's and LLP's income and expenditure is in sterling and any foreign exchange risk is managed by on-going review of reports analysing the Group's and LLP's actual and forecast exposure to monetary assets and liabilities held in foreign currencies. Whenever possible, the Group and LLP seeks to match its foreign currency assets, liabilities, cash inflows and outflows in the same currency. A material movement in the United States Dollar or Euro exchange rate would not have a material impact over the next year on the pre-tax profits of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

Liquidity risk arises from the Group's and LLP's management of working capital and the finance charges and principal repayments on its borrowings. It is the risk that the Group and LLP will encounter difficulty in meeting its financial obligations as they fall due. The Group's and LLP's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances and borrowing facilities to meet its expected requirements. The Leadership Team receives cash flow projections on a monthly basis as well as information regarding cash balances and borrowing facilities. The Group's and LLP's facilities, drawn and undrawn, at 2 July 2021 totalled £85m (2020: £85m). The Group facilities were increased to £100m and extended in September 2021 with three leading banks, expiring in October 2024 with two further one-year extension options.

The following tables analyse the financial liabilities into relevant maturity groupings based on their undiscounted contractual cashflows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Contractual maturities of liabilities	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total contractual cash flows (£m)	Carrying amount (£m)
Group					
At 2 July 2021					
Trade and other payables	52.9	-	-	**52.9**	**52.9**
Bank loans	33.0	5.3	-	**38.3**	**38.3**
Amounts due to former members	9.1	3.8	-	**12.9**	**12.9**
Lease liabilities	21.5	75.7	27.5	**124.7**	**117.3**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	184.5	-	**184.5**	**184.5**
	116.5	269.3	28.8	**414.6**	**407.2**
At 3 July 2020					
Trade and other payables	64.4	-	-	**64.4**	**64.4**
Bank loans	63.0	8.3	-	**71.3**	**71.3**
Amounts due to former members	4.3	2.1	-	**6.4**	**6.4**
Lease liabilities	21.9	77.4	49.9	**149.2**	**140.7**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	167.3	-	**167.3**	**167.3**
	153.6	255.1	51.2	**459.9**	**451.4**

(CONTINUED)

Contractual maturities of liabilities	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total contractual cash flows (£m)	Carrying amount (£m)
LLP					
At 2 July 2021					
Trade and other payables	19.0	-	-	**19.0**	**19.0**
Bank loans	30.0	-	-	**30.0**	**30.0**
Amounts due to former members	9.1	3.8	-	**12.9**	**12.9**
Lease liabilities	16.3	59.7	17.7	**93.7**	**89.2**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	184.5	-	**184.5**	**184.5**
	74.4	248.0	19.0	**341.4**	**336.9**
At 3 July 2020					
Trade and other payables	34.6	-	-	**34.6**	**34.6**
Bank loans	40.0	-	-	**40.0**	**40.0**
Amounts due to former members	4.3	2.1	-	**6.4**	**6.4**
Lease liabilities	16.3	61.7	36.4	**114.4**	**108.3**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	167.3	-	**167.3**	**167.3**
	95.2	231.1	37.7	**364.0**	**357.9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

The following tables set out the carrying amounts of financial assets.

	At 2 July 2021		At 3 July 2020	
	Amortised cost	Other financial assets	Amortised cost	Other financial assets
Group	(£m)	(£m)	(£m)	(£m)
Trade and other receivables	223.2	-	184.6	-
Cash and cash equivalents	111.1	-	155.0	-
	334.3	-	339.6	-
LLP				
Trade and other receivables	234.0	-	204.7	-
Cash and cash equivalents	106.1	-	129.3	-
	340.1	-	334.0	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

20. BORROWINGS

The table below details the changes in liabilities arising from financing activities, including both cash and non-cash movements.

2020	Non-current borrowings (£m)	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due to current and former members (£m)
Contractual maturities of liabilities					
Group					
At 5 July 2019	11.3	18.0	159.4	1.3	177.7
Proceeds from borrowings	-	45.0	-	-	-
Transfers	(3.0)	3.0	-	-	-
Repayment of borrowings	-	(3.0)	-	-	-
Capital contributions by members	-	-	-	-	5.3
Capital repayments to members	-	-	-	-	(3.9)
Lease liability paid	-	-	(20.9)	-	-
Payment to former members	-	-	-	-	(9.1)
Payment to members	-	-	-	-	(133.9)
Net interest paid	-	(2.1)	(2.5)	-	-
Other non-cash movements*	-	2.1	4.7	-	137.6
At 3 July 2020	8.3	63.0	140.7	1.3	173.7

(CONTINUED) 2021	Non-current borrowings (£m)	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due to current and former members (£m)
Contractual maturities of liabilities					
Group					
At 3 July 2020	8.3	63.0	140.7	1.3	173.7
Proceeds from borrowings	-	-	-	-	-
Transfers	(3.0)	3.0	-	-	-
Repayment of borrowings	-	(33.0)	-	-	-
Capital contributions by members	-	-	-	-	6.0
Capital repayments to members	-	-	-	-	(4.8)
Lease liability paid	-	-	(25.0)	-	-
Payment to former members	-	-	-	-	(4.6)
Payment to members	-	-	-	-	(155.7)
Net interest paid	-	(0.9)	(2.0)	-	-
Other non-cash movements*	-	0.9	3.6	-	182.8
At 2 July 2021	**5.3**	**33.0**	**117.3**	**1.3**	**197.4**

*Non cash flow movements relate to the allocation of profit to members, lease liabilities movements and finance costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

20. BORROWINGS (CONTINUED)

2020	Non-current borrowings (£m)	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due to current and former members (£m)
Contractual maturities of liabilities					
LLP					
At 5 July 2019	-	-	123.3	1.3	178.2
Proceeds from borrowings	-	40.0	-	-	-
Transfers	-	-	-	-	-
Repayment of borrowings	-	-	-	-	-
Capital contributions by members	-	-	-	-	5.3
Capital repayments to members	-	-	-	-	(3.9)
Lease liability paid	-	-	(15.0)	-	-
Payment to former members	-	-	-	-	(9.1)
Payment to members	-	-	-	-	(132.9)
Net interest paid	-	(0.9)	(1.9)	-	-
Other non-cash movements*	-	0.9	1.9	-	136.1
At 3 July 2020	-	40.0	108.3	1.3	173.7

(CONTINUED) 2021	Non-current borrowings (£m)	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due to current and former members (£m)
Contractual maturities of liabilities					
LLP					
At 3 July 2020	-	40.0	108.3	1.3	173.7
Proceeds from borrowings	-	-	-	-	-
Transfers	-	-	-	-	-
Repayment of borrowings	-	(10.0)	-	-	-
Capital contributions by members	-	-	-	-	6.0
Capital repayments to members	-	-	-	-	(4.8)
Lease liability paid	-	-	(18.9)	-	-
Payment to former members	-	-	-	-	(4.6)
Payment to members	-	-	-	-	(154.6)
Net interest paid	-	(0.8)	(1.5)	-	-
Other non-cash movements*	-	0.8	1.3	-	181.7
At 2 July 2021	**-**	**30.0**	**89.2**	**1.3**	**197.4**

*Non cash flow movements relate to the allocation of profit to members, lease liabilities movements and finance costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 2 JULY 2021 (CONTINUED)

21. DEFERRED TAX

Group	2 July 2021 (£m)	3 July 2020 (£m)
Balance of deferred tax assets at end of year	0.8	-

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At 2 July 2021, deferred tax assets comprise temporary differences between the tax base and the carrying value on capital allowances and depreciation.

Deferred tax is measured at the tax rates that are substantively enacted at the reporting date and expected to apply in the periods in which the temporary differences reverse. It is measured using a tax rate of 25% for the period to 2 July 2021 (2020: 19%).

There was no deferred tax arising in the LLP for the year to 2 July 2021 (2020: £nil).

22. POST BALANCE SHEET EVENTS

The Firm has entered into a new arrangement, BDO Regulatory Solutions Ltd, with effect from 4 October 2021. This newly incorporated subsidiary will operate in the Financial Services market.

FOR MORE INFORMATION:

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