A YEAR WITH PURPOSE

BDO LLP
ANNUAL REPORT 2020

52 WEEKS ENDED 3 JULY 2020

REPORT TO THE MEMBERS AND GROUP AND LLP FINANCIAL STATEMENTS

IDEAS | PEOPLE | TRUST

BDO

CONTENTS

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.

FOREWORD

PAUL EAGLAND, MANAGING PARTNER

I am pleased to present the report to the members together with the audited consolidated financial statements of BDO LLP, for the 52 weeks ended 3 July 2020.

FOREWORD
(CONTINUED)

KEY HIGHLIGHTS

- The financial year 2019/20 is a story of two parts. An exceptionally strong first nine months reflecting a well-run business with quality at its core and the first full year of merger. This was followed by a difficult last quarter as the COVID crisis took hold.
- BDO revenues increased to £660m – **up 14% on the previous financial year**.
- First full year of merger contributed 9% of the revenue increase with organic growth accounting for 5%.
- Profit before tax remains broadly flat at £137m (but underlying profit – when the impact of the merger is stripped out - reduced by at least £25m as a result of COVID-19).
- The audit business posted revenues of £247m - **up 24% on the previous year**.
- The tax business generated revenues of £187m – **growth of 11%**.
- BDO's advisory revenues grew to £226m – **up by 8%**.
- The firm remained the number one auditor for AIM-listed companies and increased its listed company audits.
- In the first nine months of the year we saw over one quarter of our people promoted – **1,500 internal promotions**.
- Over 470 apprentices recruited to BDO during the financial year.

As business owners as well as business advisers, BDO partners are well used to dealing with changing markets and reacting to uncertainty.

Whether it's Brexit, changes in government, the emergence of new technology or international sabre-rattling over trade, we have prided ourselves on reacting quickly and getting onto the front foot to capitalise on change and opportunity.

This year, however, has been one unlike any other.

It's been a year where we have all worried about the health of friends and family and one where economic uncertainty has led to increased anxiety for everyone.

But, despite all that, it has also been a year where I have been extremely proud of our people who – almost overnight – were able to continue working from home delivering seamless service to our clients.

And a year where our people and internal networks have worked together to foster a culture of support and encouragement.

I would like to put on record my thanks to all our people for their hard work, flexibility and creativity; especially during the last six months.

I am also aware of people at BDO who, during this time, have lost friends and loved ones to COVID-19. The tragic impact of this global pandemic has cast a long shadow over many of us. My thoughts are with all those who have suffered such a loss.

At the time of writing there is not yet a vaccine that has been approved for public use although there are seven vaccines globally that are approaching the latter stages of medical trials.

The uncertainty is, therefore, set to continue but we are well placed – structurally, culturally and financially – to be able to weather the storm and support our people and our clients.

BUSINESS PERFORMANCE

Overall for the financial year 2019/20 we posted total revenues of £660m – an increase of 14%.

9% of the revenue increase reflects the first full year of BDO's merger with Moore Stephens LLP with 5% coming from organic growth. Profit before tax was broadly flat at £137m – although expected underlying profits fell by an estimated £25m due to the impact of COVID.

The story of our financial year can be broken into two very different parts.

The first nine months of the financial year (July 2019 – March 2020) showed strong growth for the firm where BDO's focus on quality, client service and its successful merger paid off in increased revenue and profit pre-COVID-19.

The impact of COVID-19 and the subsequent lockdown, however, saw a reversal in BDO's profitability. In the final three months of the year (April 2020 to June 2020), revenues and profits fell, year on year, by 13% and 50% respectively. The fall in revenue in the last quarter equated to a drop of £25m versus prior year – which in turn led to a reduction to expected underlying profits of £25m - a reduction fully absorbed by our partners.

The audit business posted revenues of £247m, up 24% on the previous year. BDO's focus on quality, its expertise in the AIM market and a desire from main market businesses to get ahead of forthcoming audit reforms - which saw the firm increase the number of listed companies it audits - all contributed to the rise in revenue.

The tax business reported growth of 11%, generating revenues of £187m, with tax compliance and risk advisory services in increasingly high demand. Private tax advice was another key part of this growth, and BDO now operates one of the UK's leading personal tax practices.

FOREWORD
(CONTINUED)

BDO's advisory revenues grew by 8% to £226m, fuelled and driven by the firm's strong sector credentials. Across the advisory practice, international institutions and donor assurance, technology risk assurance and global outsourcing all performed well.

Average profit per partner (PEP), before taxation, for the year decreased by 14% to £518,000 reflecting the impact of COVID-19.

With additional economic volatility caused by the prospect of a winter spike in infections, lower levels of profitability look set to continue with significant market disruption lying ahead.

A PRUDENT APPROACH TO MATCH THE UNCERTAINTY OF THE TIMES

We don't know what exactly lies around the corner. It is likely that the UK will enter a period of slow prolonged recovery and there will be many challenges along the way.

Our business will need to be flexible and fleet of foot. With this in mind we have taken, and are continuing to take, tough but prudent decisions to protect jobs and improve cash flow.

First of all, our partners – who own and run the business – since April 2020 are restricting the amount of money they can withdraw from the firm each month by up to 25% as well as delaying their quarterly profit distributions so that cash flow can be protected.

At the time of writing, both these measures are still in place and, so far, this has led to partners to supporting the business with £25m of retained money (an average of £100,000 each that they were entitled to draw) to ensure there are adequate cash reserves in the business. We also took the tough decision to freeze promotions and pay rises for all our people.

Finally, to avoid redundancies and to preserve all our employees' pay packets, we applied for Government support to place 700 people (first year trainees and some support staff) into furlough where we topped up staff wages to ensure they received full pay.

Throughout August, we brought back 85% of our furloughed staff leaving circa 100 support staff on furlough on full pay until the end of October, as we continued to protect their jobs.

Accessing the furlough support was a decision we thought about carefully. It meant that we could - with certainty - protect all BDO jobs and pay our people 100% of their wages for that period.

INVESTMENT IN THE FUTURE

It is important that while we deal with the crisis today, we don't forget about investment for tomorrow.

Our people are the lifeblood of our business. It is the reason why our clients choose to work with us. This year we invested over £7m in the training and development of our people as well as promoting 1,500 individuals prior to COVID-19.

It's important that we recruit the talent of the future. Over 470 apprentices were recruited to BDO during the financial year, providing much needed job opportunities to young people across the country.

In addition to advising many clients on their environment, social and governance (ESG) accountancy requirements, BDO also committed itself to being a carbon neutral organisation. In January, based on advice from an independent sustainability consultant, we offset all our emissions for the two years to June 2019 through the purchase of carbon credits – a commitment we will continue for this year.

FOREWORD
(CONTINUED)

A CHANGING REGULATORY ENVIRONMENT

We welcome the fact that audit has and will continue to be heavily scrutinised in the public arena.

The priority of the Government will naturally be to combat the damage caused by the pandemic and manage the Brexit process. That said, ensuring that audit reform is properly delivered is vital to smooth running capital markets.

I am positive about the changes coming through and I believe that the outcomes of the four current reviews - which are looking at how to improve competition, quality and the relevance of audit - will combine to create a new and globally leading audit market.

Regulatory reform is critical to improve quality, competition and, ultimately, trust in the audit market and BDO will continue to play its part.

SUPPORTING THE UK ECONOMIC ENGINE

Our client heartland remains the UK's mid-sized, ambitious and entrepreneurially spirited businesses.

We understand this market and we are resolutely focused on it.

These mid-sized businesses are at the core of the UK economy. They are innovative and at the forefront of driving technological change. Our latest figures show that despite making up just under 1% of businesses by number they account for over one third of the UK's business revenue. At BDO, we call these businesses the UK economic engine.

Despite their impact, policymakers frequently overlook them. Effectively 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 are calling on the Government to do more to help this undervalued segment of British business.

Like the rest of the economy, COVID-19 has had a devastating impact on mid-sized businesses but we have been working hard to support them.

Through our global "Rethink" model, BDO is providing economic engine businesses with a road map of support throughout the COVID-19 pandemic and beyond as well as highlighting the concerns and issues being faced by mid-sized businesses during this uncertain time.

The Government took bold action with its furlough policy which has undoubtedly saved many jobs and businesses. We would ask the Government to ensure future policies also support mid-sized businesses which are vital to the UK.

GLOBAL NETWORK

Finally, I would like to mention our global network. The pandemic has made it more obvious than ever that we live in an interconnected and interdependent world.

It is vital that nations work together and that is as true for businesses as it is for governments and scientists.

The BDO global network continues to thrive and offer opportunities for the UK firm. 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. In a world where international relationships are getting more and not less important, BDO in the UK is an important and influential member of our strong global network.

It truly has been a year like no other. There will be further tough times ahead for all of us but I am an optimist at heart. When I reflect on this year I think about all the brilliant stories I have heard within the firm about collaboration, encouragement and support. With this mentality, the empowering culture at BDO and our great people behind us we can look to the future with confidence.

BDO INTERNATIONAL

US$10.3 billion 2019/2020 REVENUE

A YEAR ON YEAR INCREASE OF **7.8%** [1]

167 Countries

1,658 Offices

91,000 Staff

As at 26 November 2020

1. At constant exchange rate.

MEMBERS' REPORT

FOR THE 52 WEEKS ENDED 3 JULY 2020

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') 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 3 July 2020 is set out on page 10. The comparative period is for the 53 weeks ended 5 July 2019.

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 Mark Sherfield.

Stuart Collins became a designated member on 4 July 2020.

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 deferred because of timing differences between the treatment of certain items for taxation and that for accounting purposes. Such provision is made to the extent that it is considered material in the context of the need to maintain an equitable treatment between members from year to year.

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.

MEMBERS' REPORT

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

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.

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 2022 as well as considering available banking facilities and other sources of finance. The Leadership Team is confident the group will maintain adequate resources to allow settlement of all liabilities as they fall due for the foreseeable future. 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 Financial Reporting Standards (IFRSs) as adopted by the European Union and limited liability partnership financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for 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; and
- 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 December 2020

ENERGY AND CARBON REPORT

FOR THE 52 WEEKS ENDED 3 JULY 2020

BDO recognises that our operations have an environmental impact globally and we are committed to monitoring and reducing our emissions year-on-year. We are also aware of our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. As such, this year we have upgraded our energy and carbon reporting to meet these new requirements and increase the transparency with which we communicate about our environmental impact to our stakeholders. A more in depth environmental report is published on our website.

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

Emissions source		2019 - 2020
Scope 1	Natural gas	165
Scope 2	Electricity (location based)	1,042
Scope 3	Road Transport (partner & employee cars only)	696
Total tCO2e		**1,903**
Total Energy Usage (kWh)		**8,170,012**
Intensity ratio - tCO2e per employee		**1.39**

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 Avieco GreenGauge Factors, Avieco Water Override, DEFRA 2015 v1, DEFRA 2016 v1, DEFRA 2017, DEFRA 2018, Defra 2019, DEFRA 2020 issue of the conversion factor repository.

In the period covered by the report BDO has undertaken the following emissions and energy reduction initiatives:

- **Committed to carbon neutrality** – in line with PAS 2060, we have committed to achieving carbon neutrality for the reporting period, purchasing high-quality carbon credits to offset our full carbon footprints.
- **Established a robust carbon management plan** – To reduce our reliance on carbon offsetting, we have mapped a decarbonisation roadmap which will drive emission reductions year on year through the implementation of various initiatives and improvements.
- **Undertaken energy audits at key sites** - we commissioned Avieco to perform energy audits are key sites across the UK. We identified several energy efficiency opportunities which are all now under review and will be implemented as soon as practicable.

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.**

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 limited liability partnership financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 3 July 2020 and of the group's profit and the group's and the limited liability partnership's cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the limited liability partnership's financial statements, as applied in accordance with the provisions of the Companies Act 2006 as applied to limited liability partnerships; and
- 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 Report to the Members and Group and LLP Financial Statements (the "Annual Report"), which comprise: the Consolidated and LLP statements of financial position as at 3 July 2020; the Consolidated income statement and 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 52 week 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and limited liability partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

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 limited liability partnership'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 limited liability partnership 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.

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.

USE OF THIS REPORT

This report, including the opinion, 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 this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the limited liability partnership financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London
1 December 2020

CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEKS ENDED 3 JULY 2020

	Note	52 weeks ended 3 July 2020 (£m)	53 weeks ended 5 July 2019 (£m)
Revenue	4	**660.4**	577.7
Less other external charges: expenses and disbursements on client assignments		**(38.6)**	(33.0)
Net revenue		**621.8**	544.7
Operating expenses	6	**(490.2)**	(413.6)
Other operating income	6	**9.8**	5.6
Operating profit	6	**141.4**	136.7
Net finance charges	7	**(4.7)**	-
Profit before tax		**136.7**	136.7
Tax expense in corporate subsidiaries	8	**(4.1)**	(3.6)
Profit from continuing operations for the financial period before members' remuneration charged as an expense		**132.6**	133.1
Profit from discontinued operations		-	1.1
Profit for the financial period before members' remuneration charged as an expense		**132.6**	134.2
Members' remuneration charged as an expense		**(15.0)**	(13.1)
Profit for the financial period available for discretionary division among members		**117.6**	121.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 3 JULY 2020

	Note	52 weeks ended 3 July 2020 (£m)	53 weeks ended 5 July 2019 (£m)
Profit for the financial period available for discretionary division among members		**117.6**	121.1
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Pension scheme net actuarial loss	19	**(6.7)**	(3.7)
Other comprehensive expense for the year		**(6.7)**	(3.7)
Total comprehensive income		**110.9**	117.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 3 JULY 2020

Registered number: OC305127	Note	3 July 2020 (£m)	5 July 2019 (£m)
Assets			
Non-current assets			
Intangible assets	9	**35.7**	36.9
Property, plant and equipment	10	**15.5**	16.8
Right of use assets	11	**127.5**	-
Other receivables	13	**0.9**	0.9
		179.6	54.6
Current assets			
Trade and other receivables	13	**140.8**	151.6
Contract assets	13	**63.3**	70.3
Cash and bank balances		**155.0**	75.9
		359.1	297.8
Total assets		**538.7**	352.4
Liabilities			
Current liabilities			
Trade and other payables	14	**117.2**	105.2
Contract liabilities	14	**5.1**	3.6
Lease liabilities	11	**19.9**	-
Loans and borrowings	14	**67.3**	28.3
		209.5	137.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 3 JULY 2020 (CONTINUED)

Registered number: OC305127	Note	3 July 2020 (£m)	5 July 2019 (£m)
Non-current liabilities			
Loans and borrowings	14	**10.4**	13.3
Members' capital	14	**1.3**	1.3
Amounts due to members	14	**167.3**	165.9
Provisions	15	**23.3**	22.9
Employee benefits - pension liability	19	**16.9**	11.0
Lease liabilities	11	**120.8**	-
		340.0	214.4
Total liabilities		**549.5**	351.5
Net (liabilities)/assets attributable to members		**(10.8)**	0.9
Equity			
Members' other reserves		**(10.8)**	0.9
Represented by:			
Members' capital	14	**1.3**	1.3
Amounts due to members	14	**167.3**	165.9
Members' other reserves		**(10.8)**	0.9
Total members' interests		**157.8**	168.1

The financial statements on pages 10 to 64 were approved and authorised for issue on 1 December 2020 and signed on behalf of the members of BDO LLP by:

PAUL EAGLAND
MANAGING PARTNER

STUART COLLINS
FINANCE PARTNER

LLP STATEMENT OF FINANCIAL POSITION

AS AT 3 JULY 2020

Registered number: OC305127	Note	3 July 2020 (£m)	5 July 2019 (£m)
Assets			
Non-current assets			
Intangible assets	9	**9.3**	9.8
Property, plant and equipment	10	**6.1**	7.2
Right of use assets	11	**100.4**	-
Investments in subsidiary undertakings	12	**3.3**	3.3
Other receivables	13	**0.9**	0.9
		120.0	21.2
Current assets			
Trade and other receivables	13	**149.9**	205.3
Contract assets	13	**63.3**	70.3
Cash and bank balances		**129.3**	30.7
		342.5	306.3
Total assets		**462.5**	327.5
Liabilities			
Current liabilities			
Trade and other payables	14	**79.7**	53.0
Contract liabilities	14	**5.1**	3.6
Lease liabilities	11	**14.8**	-
Loans and borrowings	14	**55.6**	40.8
		155.2	97.4

LLP STATEMENT OF FINANCIAL POSITION

AS AT 3 JULY 2020 (CONTINUED)

Registered number: OC305127	Note	3 July 2020 (£m)	5 July 2019 (£m)
Non-current liabilities			
Members' capital	14	**1.3**	1.3
Amounts due to members	14	**167.3**	166.4
Loans and borrowings	14	**2.1**	2.0
Provisions	15	**13.0**	12.4
Lease liabilities	11	**93.5**	-
Employee benefits - pension liability	19	**16.9**	11.0
		294.1	193.1
Total liabilities		**449.3**	290.5
Net assets attributable to members		**13.2**	37.0
Equity			
Members' other reserves		**13.2**	37.0
Represented by:			
Members' capital	14	**1.3**	1.3
Amounts due to members	14	**167.3**	166.4
Members' other reserves		**13.2**	37.0
Total members' interests		**181.8**	204.7

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 £105.0m (2019 - £165.2m).

The financial statements on pages 10 to 64 were approved and authorised for issue on 1 December 2020 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 3 JULY 2020

	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members' interests (£m)
At 30 June 2018	19.3	1.0	124.1	144.4
Comprehensive income for the year:				
Members' remuneration charged as an expense	-	-	13.1	13.1
Profit for the period available for discretionary division among members	121.1	-	-	121.1
Other comprehensive expense for the year:				
Pension scheme net actuarial loss	(3.7)	-	-	(3.7)
Total comprehensive income for the year	117.4	-	13.1	130.5
Contributions by and distributions to members:				
Allocated profit	(135.8)	-	135.8	-
Introduced by members	-	0.3	17.3	17.6
Repaid to members	-	-	(3.5)	(3.5)
Amounts reclassified as amounts due to former members within payables	-	-	(7.1)	(7.1)
Drawings and distributions	-	-	(113.8)	(113.8)
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**

LLP STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE 52 WEEKS ENDED 3 JULY 2020

	Other reserves (equity)	Members' capital (liabilities)	Amounts due to members' (liabilities)	Total members' interests
	(£m)	(£m)	(£m)	(£m)
At 30 June 2018	2.7	1.0	125.5	129.2
Comprehensive income for the year:				
Members' remuneration charged as an expense	-	-	12.6	12.6
Profit for the period available for discretionary division among members	165.2	-	-	165.2
Other comprehensive expense for the year:				
Pension scheme net actuarial loss	(3.7)	-	-	(3.7)
Total comprehensive income for the year	161.5	-	12.6	174.1
Contributions by and distributions to members:				
Allocated profit	(127.2)	-	127.2	-
Excess of assets transferred from subsidiary undertaking over consideration	-	-	7.0	7.0
Introduced by members	-	0.3	17.6	17.9
Repaid to members	-	-	(2.6)	(2.6)
Amounts reclassified as amounts due to former members within payables	-	-	(7.1)	(7.1)
Drawings and distributions	-	-	(113.8)	(113.8)
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)**
3 July 2020	**13.2**	**1.3**	**167.3**	**181.8**

LLP STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

The Leadership Team sets the basis of profit division on an annual basis and considers this basis of division to set the members' monthly drawings after considering the LLP's working capital needs. Profit is formally divided amongst members throughout the year. Members' profit shares may be adjusted in the light of annual performance reviews. 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) and after the annual financial statements have been approved by the members.

Where members are also directors of BDO Services Limited, BDO Limited and BDO LLP Limited, they are paid a salary which is treated as members' remuneration charged as an expense to the income statement.

Where a minimum entitlement to profit has been granted to an individual partner, this is treated as members' remuneration charged as an expense as this creates a liability of the LLP.

Any unallocated profits are included in Other reserves (equity).

Members' interests are subordinated to bank borrowings. Amounts due to members (liabilities), rank equally with unsecured creditors in the event of a winding up. Members' other interests, represented by members' other reserves (equity), rank after unsecured creditors.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 3 JULY 2020

	Note	52 weeks ended 3 July 2020 (£m)	53 weeks ended 5 July 2019 (£m)
Cash flows from operating activities			
Profit for the period		**117.6**	121.1
Amortisation of intangibles	9	**5.1**	1.9
Depreciation of property, plant and equipment	10	**6.5**	5.2
Depreciation of right of use assets	11	**23.9**	-
Loss/(profit) on disposal of intangibles		**(0.3)**	(1.0)
Loss/(profit) on disposal of property, plant and equipment		**-**	(0.8)
Difference between pension charge and cash contributions	19	**(0.8)**	(0.1)
Finance expense	7	**4.9**	3.5
Finance income	7	**(0.2)**	(3.5)
Tax expense	8	**4.1**	3.6
Members' remuneration charged as an expense		**15.0**	13.1
Decrease/(increase) in trade and other receivables		**19.9**	(40.3)
Increase in trade and other payables		**27.9**	10.7
(Decrease) in provisions		**(2.9)**	(1.0)
Cash generated from operations		**220.7**	112.4
UK corporation tax paid		**(6.8)**	(3.8)
Net cash flow generated from operational activities		**213.9**	108.6
Investing activities			
Purchase of property, plant and equipment		**(6.1)**	(2.2)
Purchase of intangibles	9	**(4.0)**	(0.1)
Disposal of subsidiary, net of cash disposed of		**-**	(0.8)
Proceeds from the sale of property, plant and equipment		**-**	1.6
Acquisition of trade and assets, net of cash acquired		**-**	(31.7)
Proceeds from the sale of intangibles		**0.4**	-
Net cash used in investing activities		**(9.7)**	(33.2)
Financing activities			
Drawings and distributions to members		**(133.9)**	(113.8)
Introduced by members		**5.3**	17.6
Repaid to members		**(3.9)**	(2.6)
Amounts repaid to former members		**(9.1)**	(2.0)
Proceeds from loans and borrowings	14	**45.0**	30.0
Loan repayments	14	**(3.0)**	(0.7)
Capital element of finance leases repaid	10	**-**	(0.8)
Interest paid		**(4.8)**	(0.8)
Interest received		**0.2**	1.0
Capital element of lease liabilities		(20.9)	-
Net cash used in financial activities		(125.1)	(72.1)
Net increase in cash and cash equivalents		79.1	3.3
Cash and cash equivalents at beginning of period		**75.9**	72.6
Cash and cash equivalents at end of period		155.0	75.9

LLP STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 3 JULY 2020

	Note	52 weeks ended 3 July 2020 (£m)	53 weeks ended 5 July 2019 (£m)
Cash flows from operating activities			
Profit for the period		**105.0**	165.2
Amortisation of intangibles	9	**0.5**	0.2
Depreciation of property, plant and equipment	10	**2.8**	2.5
Depreciation of right of use assets	11	**15.1**	-
Loss on disposal of subsidiaries		**-**	1.0
Difference between pension charge and cash contributions	19	**(0.8)**	(0.1)
Finance expense		**3.8**	3.1
Finance income		**(0.9)**	(3.5)
Dividend received		**-**	(12.2)
Members' remuneration charged as an expense		**14.0**	12.6
Decrease/(increase) in trade and other receivables		**62.4**	(122.1)
Increase in trade and other payables		**18.1**	12.5
Increase/(decrease) in provisions		**(0.4)**	(1.1)
Net cash flow from operational activities		**219.6**	58.1
Investing activities			
Purchase of property, plant and equipment		**(2.6)**	(0.6)
Purchase of intangibles	9	**-**	(3.0)
Dividends received		**-**	12.2
Net cash used in investing activities		**(2.6)**	8.6
Financing activities			
Drawings and distributions to members		**(132.9)**	(113.8)
Introduced by members		**5.3**	17.9
Repaid to members		**(3.9)**	(2.6)
Proceeds from loans and borrowings	14	**40.0**	-
Amounts repaid to former members		**(9.1)**	(2.0)
Interest paid		**(3.7)**	(0.4)
Interest received		**0.9**	1.0
Lease liabilities paid		**(15.0)**	-
Net cash used in financial activities		**(118.4)**	(99.9)
Net increase/(decrease) in cash and cash equivalents		**98.6**	(33.2)
Cash and cash equivalents at beginning of period		**30.7**	63.9
Cash and cash equivalents at end of period		**129.3**	30.7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020

1 ACCOUNTING POLICIES

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.

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 EU endorsed accounting standards, amendments and interpretations and their expected impact, if any, on the performance of the Group.

BASIS OF PREPARATION

The preparation of financial statements in compliance with EU adopted IFRSs, in accordance with the Companies Act 2006 as applied to Limited Liability Partnerships, 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 IFRSs as adopted by the EU.

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 2022 as well as considering available banking facilities and other sources of finance. The Leadership Team is confident the group will maintain adequate resources to allow settlement of all liabilities as they fall due for the foreseeable future. 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. Intra-group 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

New standards

IFRS 16 Leases - replaces the previous leases Standard, IAS 17 Leases, and related interpretations.

The Group has adopted IFRS 16 leases using the modified retrospective approach. The Group has recognised right of use assets and lease liabilities for all contracts that are, or contain a lease. Details of the impact if IFRS 16 are given in note 11.

Amendments to existing standards not yet effective

- IFRS 17 Insurance contracts including Amendments to IFRS 17 (effective for accounting periods beginning on 1 January 2023)
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for accounting periods beginning on 1 January 2020)
- Amendments to IFRS 3 Business Combinations: Definition of a Business (effective for accounting periods beginning on 1 January 2020)
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for accounting periods beginning on 1 January 2020)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for accounting periods beginning on 1 January 2022)
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for accounting periods beginning on 1 January 2020)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective for accounting periods beginning on 1 January 2023) not yet EU endorsed
- Annual Improvements to IFRSs (2018-2020 Cycle) (effective for accounting periods beginning on 1 January 2022) not yet EU endorsed
- Amendment to IFRS 16 Leases COVID 19-Related Rent Concessions (effective for accounting periods beginning on 1 June 2020)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for accounting periods beginning on 1 January 2021) not yet EU endorsed
- 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 1 January 2021) not yet EU endorsed

The above amendments are not expected to materially impact the Group's results.

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. Revenues are accounted for under IFRS 15 and are recognised on a point in time basis when the contingency is 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

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 fair value of unbilled revenue on client assignments, expected credit loss against trade receivables, determination of the incremental borrowing rate (IBR) in respect of leases, and 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 3 JULY 2020 (CONTINUED)

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

	REVENUE		OPERATING PROFIT		TOTAL MEMBERS INTEREST	
	52 weeks ended 3 July 2020	53 weeks ended 5 July 2019	52 weeks ended 3 July 2020	53 weeks ended 5 July 2019	52 weeks ended 3 July 2020	53 weeks ended 5 July 2019
	(£m)	(£m)	(£m)	(£m)	(£m)	(£m)
Audit	**246.9**	199.5	**46.9**	46.6	**45.1**	53.1
Advisory	**226.3**	209.6	**42.7**	48.9	**60.9**	69.3
Tax	**187.2**	168.6	**63.9**	57.6	**48.5**	56.4
Unallocated	**-**	-	**(12.1)**	(16.4)	**3.3**	(10.7)
	660.4	577.7	**141.4**	136.7	**157.8**	168.1

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.

Net operating assets 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 3 JULY 2020 (CONTINUED)

5 EMPLOYEES AND MEMBERS

	Group 52 weeks ended 3 July 2020 (£m)	Group 53 weeks ended 5 July 2019 (£m)
Staff costs (excluding members) consist of:		
Wages and salaries	**255.2**	213.1
Settlement costs	**0.5**	2.5
Social security costs	**27.8**	22.2
Other pension costs	**20.5**	18.5
	304.0	256.3

	Number	Number
Audit	**2,154**	1,969
Advisory	**1,440**	1,292
Tax	**1,037**	936
Central support	**532**	479
	5,163	4,676

The average number of members was 264 (2019 - 227). 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 03 July 2020 was 8 (2019: 7). The estimated profit attributable to the members of the Leadership Team amounts to £11.1m (2019: £11.3m).

Certain members received £15.0m in respect of their services to the Group (2019 - £13.1m), 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 3 JULY 2020 (CONTINUED)

6 GROUP OPERATING PROFIT

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

	Note	52 weeks ended 3 July 2020 (£m)	53 weeks ended 5 July 2019 (£m)
Depreciation of property, plant and equipment - owned	10	**6.5**	4.4
Depreciation of property, plant and equipment - under finance leases	10	-	0.8
Amortisation/impairment of intangibles	9	**5.1**	1.9
Profit on disposal of intangibles		**(0.3)**	(1.0)
Profit on disposal of property, plant and equipment		-	(0.8)
Operating lease rentals - plant and machinery	11	-	1.7
Operating lease rentals - land and buildings	16	-	19.4
Short term leases		**0.7**	-
Amortisation of right-of-use assets	11	**23.9**	-
Employee costs	5	**304.0**	256.3
Provisions charge/(credit)	15	**2.2**	(0.1)
Other*		**148.1**	131.0
Services provided by and fees payable to the Group's auditors:			
Audit of the LLP and consolidated financial statements		**0.1**	0.1
Audit of the Group's subsidiaries pursuant to legislation		**0.1**	0.1
		0.2	0.2

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

Group operating profit is stated after crediting income received through sub-letting land and buildings of £4.2m (2019 - £4.3m). Other income also includes £2.7m in the year due to the application of the Furlough scheme. There was £1.4m (2019: £0.3m) of impairment losses on financial and contract assets during the year.

7 NET FINANCE CHARGES

	52 weeks ended 3 July 2020 (£m)	53 weeks ended 5 July 2019 (£m)
Finance expense:		
Bank loans and overdrafts	**2.3**	0.8
Net interest cost on pension liabilities (note 19)	**0.1**	0.2
Interest on lease liabilities (note 11)	**2.5**	-
	4.9	1.0
Finance income:		
Short term deposits and investments	**(0.2)**	(1.0)
	(0.2)	(1.0)
Net finance expense	**4.7**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (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 3 July 2020 (£m)	53 weeks ended 5 July 2019 (£m)
Current tax	**3.8**	3.6
Deferred tax charge	**0.3**	-
Total tax expense	4.1	3.6
Factors affecting the tax charge for the period:		
Profit/(loss) on ordinary activities of corporate subsidiaries before taxation	**26.0**	(6.7)
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2019 – 19%)	**4.9**	(1.3)
Impact of items not deductible for tax purposes	**1.2**	8.8
Income not subject to taxation	**(2.0)**	(3.9)
Total tax expense	4.1	3.6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (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 3 July 2020 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 3 July 2020. 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
- New Garden House Properties Ltd
- BDO Employment Services Ltd (Indirect group interest)
- Chiltern Tax Support for Professionals Ltd
- BDO Holdings Ltd (Indirect group interest)
- BDO Nominees Ltd
- BDO IFI Services Ltd
- New Garden House Pension Trustees Ltd
- New Garden House 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 from 6 July 2019 in respect of the accounting period ending 2 July 2021 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 firm'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.

ATTITUDE TO UK TAX PLANNING

We plan our affairs in accordance with our commercial objectives. As such we only engage in tax planning when it is aligned to our business and commercial strategy.

Our objective is to minimise all tax risk and fully comply with our legal obligations. We actively identify, assess and manage tax risks.

Advice is sought from BDO's own Tax Practice where appropriate.

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 3 JULY 2020 (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 2025. We have assumed a growth rate of 2.7% (2019: 4.9%) 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% (2019: 9%).

At 03 July 2020, the carrying amount of the Group's goodwill was £11.7m (2019: £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 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 prior year 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 3 JULY 2020 (CONTINUED)

9 INTANGIBLE ASSETS (CONTINUED)

Group	Customer Relationships (£m)	Goodwill (£m)	Computer Software (£m)	Total (£m)
Cost				
At 30 June 2018	-	9.3	0.9	10.2
Acquisitions	26.9	4.7	-	31.6
Additions	-	-	0.1	0.1
Disposals	(0.1)	(2.3)	(0.4)	(2.8)
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	26.7	11.7	4.6	43.0
Accumulated amortisation/impairment				
At 30 June 2018	-	1.3	0.7	2.0
Amortisation charge for the year	1.8	-	0.1	1.9
Disposals	-	(1.3)	(0.4)	(1.7)
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
Net book amount at 30 June 2018	-	8.0	0.2	8.2
Net book amount at 5 July 2019	25.0	11.7	0.2	36.9
Net book amount at 3 July 2020	**20.5**	**11.7**	**3.5**	**35.7**

On 30 September 2019, the trade and assets of the Employee Benefit Group were disposed of for net proceeds of £0.4m.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

9 INTANGIBLE ASSETS (CONTINUED)

LLP	Customer Relationships (£m)	Goodwill (£m)	Total (£m)
Cost			
At 30 June 2018	-	-	-
Acquisitions/transfers from group	3.0	7.0	10.0
At 5 July 2019	3.0	7.0	10.0
At 3 July 2020	3.0	7.0	10.0
Accumulated amortisation/impairment			
At 30 June 2018	-	-	-
Amortisation charge for the year	0.2	-	0.2
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
Net book amount at 30 June 2018	-	-	-
Net book amount at 5 July 2019	2.8	7.0	9.8
Net book amount at 3 July 2020	**2.3**	**7.0**	**9.3**

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:

Freehold property	▶ 50 years
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 3 JULY 2020 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold property (£m)	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Motor vehicles (£m)	Total (£m)
Cost					
At 30 June 2018	1.0	38.2	23.4	0.4	63.0
Acquisitions	-	3.2	0.8	-	4.0
Additions	-	0.5	1.7	-	2.2
Disposals	(1.0)	(1.0)	(7.6)	(0.3)	(9.9)
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
Accumulated depreciation					
At 30 June 2018	0.2	27.2	18.4	0.4	46.2
Charge for the period	-	3.0	2.2	-	5.2
Disposals	(0.2)	(0.8)	(7.6)	(0.3)	(8.9)
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
Net book value					
At 30 June 2018	0.8	11.0	5.0	-	16.8
At 5 July 2019	-	11.5	5.3	-	16.8
At 3 July 2020	**-**	**8.3**	**7.2**	**-**	**15.5**

Included in the total net book value of fixtures, fittings and computer equipment for the Group in 2019 for assets held under finance leases under IAS17 was £0.5m. On transition, these low value assets were derecognised and recognised as an expense in accordance with IFRS16.

BDO LLP adopted IFRS 16 on 6 July 2019 that resulted in a reclassification of certain assets. Please refer to note 11 for details of the adjustments recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

LLP	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Motor vehicles (£m)	Total (£m)
Cost				
At 30 June 2018	33.8	6.0	0.4	40.2
Additions	0.5	0.1	-	0.6
Disposals	(0.7)	(1.0)	(0.3)	(2.0)
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
Accumulated depreciation				
At 30 June 2018	25.9	4.8	0.4	31.1
Charge for the period	2.3	0.2	-	2.5
Disposals	(0.7)	(1.0)	(0.3)	(2.0)
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
Net book value				
At 30 June 2018	7.9	1.2	-	9.1
At 5 July 2019	6.1	1.1	-	7.2
At 3 July 2020	**4.2**	**1.9**	**-**	**6.1**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

11 LEASES

Effective 1 January 2019, IFRS 16 replaced IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Group does not have significant leasing activities acting as a lessor.

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.

Lease liabilities – Land and buildings	Group (£m)	LLP (£m)
Operating lease commitments disclosed as at 5 July 2019	170.1	130.8
Adjustments on transition	(0.2)	0.5
Gross lease liability at 6 July 2019	169.9	131.3
Discounting	(10.5)	(8.0)
Lease liability recognised at 6 July 2019	**159.4**	**123.3**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

11 LEASES (CONTINUED)

Right of use assets – Land and buildings	Group (£m)	LLP (£m)
Lease liability recognised as at 6 July 2019	159.4	123.3
Add provisions	3.0	1.0
Reclassification of property, plant and equipment	0.4	0.9
Less accruals	(13.9)	(9.7)
Right of use asset recognised at 6 July 2019	**148.9**	**115.5**

The adoption of IFRS 16 did not result in a change to the net asset position of the Group or the LLP on 6 July 2019.

The following policies apply subsequent to the date of initial application, 6 July 2019.

LESSEE ACCOUNTING AFTER TRANSITION

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; and
- 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 3 JULY 2020 (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; and
- whether the location represents a new area of operations for the group.

At 3 July 2020, the carrying amounts of lease liabilities are not reduced by the amount of payments that would be avoided from exercising any break clauses because it was considered reasonably certain that the group would not exercise its right to exercise any right to break the lease.

Right of use assets – Land and buildings	Group (£m)	LLP (£m)
Cost		
At 6 July 2019	148.9	115.5
Additions	2.5	-
At 3 July 2020	151.4	115.5
Accumulated depreciation		
At 6 July 2019	-	-
Charge for the period	23.9	15.1
At 3 July 2020	23.9	15.1
Net book value		
At 6 July 2019	148.9	115.5
At 3 July 2020	**127.5**	**100.4**

Lease liabilities – Land and buildings	Group (£m)	LLP (£m)
At 6 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**

Low value leases - Group	2020 (£m)
Low value lease expense	**4.0**

The LLP does not have any short term or low value leases.

NOTES TO THE FINANCIAL STATEMENTS

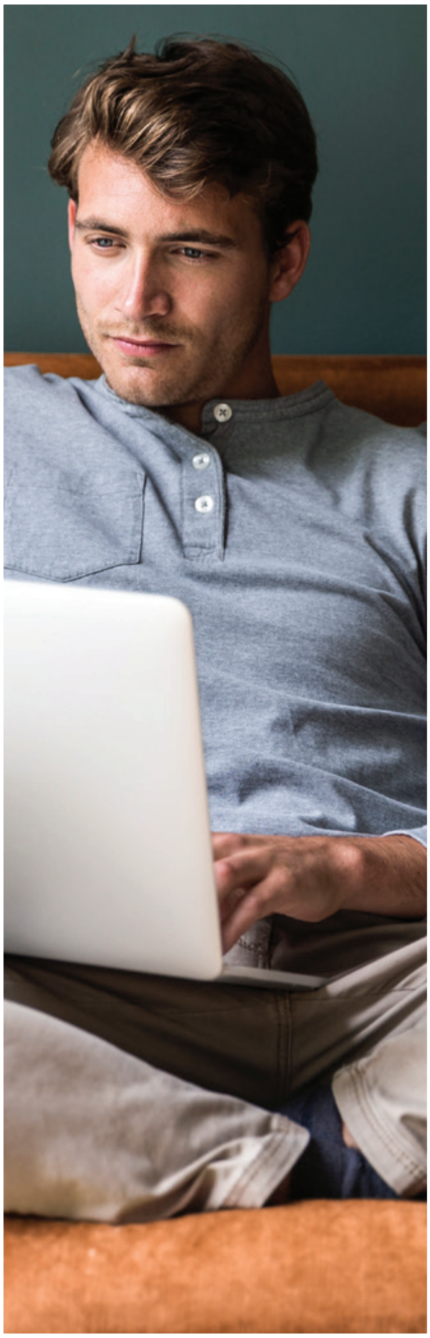
FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

11 LEASES (CONTINUED)

Total commitments on lease liabilities are set out below.

Group Lease liabilities	Up to 1 year (£m)	Between 1 and 2 years (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)
Lease liabilities	19.9	18.3	53.9	48.6

LLP Lease liabilities	Up to 1 year (£m)	Between 1 and 2 years (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)
Lease liabilities	14.8	14.7	43.0	35.8



12 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	LLP 3 July 2020 (£m)	LLP 5 July 2019 (£m)
Shares in Group undertakings:		
At beginning of period	3.3	5.2
Guernsey disposal	-	(1.9)
At end of period	3.3	3.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (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 & Wales	100%	Professional services
Clinton Avenue Properties Ltd	England & Wales	100%	Property services
New Garden House Properties Ltd	England & Wales	100%	In liquidation
New Garden House Pension Trustees Ltd	England & Wales	100%	Trustee
New Garden House Trustees Ltd	England & Wales	100%	Trustee
BDO Trustees Ltd	England & Wales	100%	Trustee
The Clients Trustee Company Ltd	England & Wales	100%	Trustee
TBW Trustees Ltd	England & Wales	100%	Trustee
BDO Pension Trustees Ltd	England & Wales	100%	Trustee
BDO Pension Trustees No2 Ltd	England & Wales	100%	Trustee
Snow Hill Trustees Limited	England & Wales	100%	Trustee
Stoy Hayward Properties	England & Wales	100%	Property services
Stoy Hayward Properties No. 2	England & Wales	100%	Property services
BDO Nominees Ltd	England & Wales	100%	Nominee
Indirect group interests:			
BDO Services Ltd	England & Wales	100%	Professional services
BDO Employment Services Ltd	England & Wales	100%	Professional services
Chiltern Tax Support for Professionals Ltd	England & Wales	100%	Professional services
BDO IFI Services Ltd	England & Wales	100%	Professional services
BDO Holdings Ltd	England & Wales	100%	Holding company
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
Registered at: Building Old East, Place de L'independence, Bujumbura, Burundi			
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 3 JULY 2020 (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 £1.4m (2019 £0.3m) have been applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

TRADE AND OTHER RECEIVABLES - CURRENT

	Group 3 July 2020 (£m)	Group 5 July 2019 (£m)	LLP 3 July 2020 (£m)	LLP 5 July 2019 (£m)
Trade receivables	**126.6**	130.0	**126.3**	130.0
Provision for impairments of trade receivables	**(11.8)**	(5.4)	**(11.8)**	(5.4)
Net trade receivables	**114.8**	124.6	**114.5**	124.6
Other receivables	**4.9**	4.7	**2.3**	2.7
Amounts owed by Group undertakings	**-**	-	**24.6**	69.5
Total financial assets other than cash and bank balances classified as held at amortised cost	**119.7**	129.3	**141.4**	196.8
Prepayments	**19.5**	22.3	**8.5**	8.5
Corporation tax	**1.6**	-	**-**	-
Contract assets	**63.3**	70.3	**63.3**	70.3
Total trade and other receivables	**204.1**	221.9	**213.2**	275.6

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.

TRADE AND OTHER RECEIVABLES - NON-CURRENT

	Group 3 July 2020 (£m)	Group 5 July 2019 (£m)	LLP 3 July 2020 (£m)	LLP 5 July 2019 (£m)
Other receivables	**0.9**	0.9	**0.9**	0.9

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

13 TRADE AND OTHER RECEIVABLES (CONTINUED)

At 3 July 2020, 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, having taken into account historical experience of significant economic downturns.

	Gross carrying amount 2020 (£m)	Gross carrying amount 2019 (£m)	Loss provision 2020 (£m)	Loss provision 2019 (£m)	Expected loss rate 2020 %	Expected loss rate 2019 %
Current	**86.6**	90.2	**2.5**	0.3	**2.9%**	0.3%
31-60 days overdue	**13.0**	25.6	**0.4**	0.5	**2.9%**	2.1%
61-90 days overdue	**9.1**	6.6	**0.2**	0.3	**2.4%**	4.4%
91-270 days overdue	**11.7**	3.2	**2.9**	0.5	**24.7%**	16.0%
> 270 days overdue	**6.2**	4.4	**5.8**	3.8	**93.7%**	86.2%
	126.6	130.0	**11.8**	5.4	**9.3%**	4.2%

Movements in the impairment allowance for trade receivables are as follows:

	Group 3 July 2020 (£m)	Group 5 July 2019 (£m)	LLP 3 July 2020 (£m)	LLP 5 July 2019 (£m)
At beginning of period	**5.4**	5.7	**5.4**	5.5
Increase during the year	**7.2**	2.9	**7.2**	2.9
Unused amounts reversed	**(0.2)**	(2.0)	**(0.2)**	(2.0)
Receivables written off during the year as uncollectable	**(0.6)**	(1.0)	**(0.6)**	(1.0)
Disposals	**-**	(0.2)	**-**	-
At end of period	**11.8**	5.4	**11.8**	5.4

The following shows the ageing analysis of trade receivables:

	Group 3 July 2020 (£m)	Group 5 July 2019 (£m)	LLP 3 July 2020 (£m)	LLP 5 July 2019 (£m)
Current	**86.6**	90.2	**86.3**	90.2
31-60 days overdue	**13.0**	25.6	**13.0**	25.6
61-90 days overdue	**9.1**	6.6	**9.1**	6.6
91-270 days overdue	**11.7**	3.2	**11.7**	3.2
>270 days overdue	**6.2**	4.4	**6.2**	4.4
Total	**126.6**	130.0	**126.3**	130.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

14 FINANCIAL LIABILITIES

ACCOUNTING POLICIES

Finance leases for the 53 week period to 5 July 2019.

In 2019, any lease which entails taking substantially all the risks and rewards of ownership of an asset is treated as a finance lease. The asset is recorded as a tangible fixed asset at its cost and depreciated over its estimated useful life, or the term of the lease, whichever is shorter. Due to the leases being low in value, on transition to IFRS 16 all 2019 finance leases were derecognised as permitted by the standard.

Other

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.

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

TRADE AND OTHER PAYABLES

	Group 3 July 2020 (£m)	Group 5 July 2019 (£m)	LLP 3 July 2020 (£m)	LLP 5 July 2019 (£m)
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost				
Trade payables	**6.4**	5.9	**3.3**	1.5
Other payables	-	5.5	-	-
Accruals	**58.0**	70.6	**31.3**	37.4
Other taxation and social security	**52.8**	21.5	**45.1**	14.1
	117.2	103.5	**79.7**	53.0
Total financial liabilities, classified as financial liabilities measured at fair value through profit and loss				
Derivative forward contracts	-	0.6	-	-
Corporation tax	-	1.1	-	-
Total trade and other payables	**117.2**	105.2	**79.7**	53.0
Contract liabilities	**5.1**	3.6	**5.1**	3.6
	122.3	108.8	**84.8**	56.6

The carrying value 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 3 JULY 2020 (CONTINUED)

14 FINANCIAL LIABILITIES (CONTINUED)

During the financial year ended 3 July 2020, £3.6m in both the Group's and LLP's recorded contract liabilities at 5 July 2019 were recognised as revenue.

LOANS AND BORROWINGS

	Group 3 July 2020 (£m)	Group 5 July 2019 (£m)	LLP 3 July 2020 (£m)	LLP 5 July 2019 (£m)
Current				
Bank loans	**63.0**	18.0	**40.0**	-
Amounts owed to group undertakings	**-**	-	**11.3**	31.0
Amounts due to former members and partners	**4.3**	9.8	**4.3**	9.8
Finance leases	**-**	0.5	**-**	-
	67.3	28.3	**55.6**	40.8
Non-current excluding amounts attributable to members				
Bank loans	**8.3**	11.3	**-**	-
Amounts due to former members and partners	**2.1**	2.0	**2.1**	2.0
	10.4	13.3	**2.1**	2.0
Non-current - amounts attributable to members				
Members' capital	**1.3**	1.3	**1.3**	1.3
Amounts due to members	**167.3**	165.9	**167.3**	166.4
	168.6	167.2	**168.6**	167.7
Total loans and borrowings	**246.3**	208.8	**226.3**	210.5

Loans and borrowings are initially measured at fair value and subsequently measured at amortised cost.

During the year BDO Services Ltd, a member of the group, drew on its bank facilities by way of a £20m revolving credit facility and a £15m loan was drawn in the prior year. £11.3m was outstanding in respect of the loan and £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% above LIBOR for the rolling credit facility and 1.5% above LIBOR for the loan. BDO LLP drew on its bank facilities by way of £40m revolving credit facility during the year which remained outstanding as at the end of the year. Interest is payable at 1.25% above LIBOR for the rolling credit facility.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

14 FINANCIAL LIABILITIES (CONTINUED)

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.

FINANCE LEASES:

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

15 PROVISIONS

ACCOUNTING POLICIES

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 reimbursements, where material and virtually certain, are treated as separate assets. 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.

In 2019 Provision was made for all future onerous net rental costs relating to properties which are not used by the Group and annual costs are charged against this provision, with any difference between the estimated and actual costs being taken to the income statement. In 2020, IFRS 16 applies therefore there are no onerous leases as the future cash lease payments are already included in the lease liability.

Group	Annuities (£m)	Professional Indemnity (£m)	Property (£m)	Total (£m)
At 6 July 2019	7.7	8.1	7.1	22.9
Utilisation of provision	(0.5)	(4.5)	(0.5)	(5.5)
Charge to income statement	0.5	1.6	0.8	2.2
Adjustment due to transition to IFRS 16	-	-	3.0	3.7
At 3 July 2020	**7.7**	**5.2**	**10.4**	**23.3**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

15 PROVISIONS (CONTINUED)

LLP	Annuities (£m)	Professional Indemnity (£m)	Property (£m)	Total (£m)
At 6 July 2019	0.2	6.8	5.4	12.4
Utilisation of provision	-	(2.0)	(0.6)	(2.6)
Charge to income statement	-	2.1	0.1	2.2
Adjustment due to transition to IFRS 16	-	-	1.0	1.0
At 3 July 2020	**0.2**	**6.9**	**5.9**	**13.0**

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 3 July 2020. The remainder of the annuities 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.

Key actuarial assumptions:	3 July 2020 %	5 July 2019 %
Discount rate	1.3	2.3
Rate of inflation – RPI	3.2	3.4

The underlying mortality assumption is based upon thePNA00 mortality base tables with future improvements in line with CMI2017 projection tables subject to a long-term rate of improvement of 1% pa.

	3 July 2020	5 July 2019
Male currently aged 65	22.6	22.6
Male currently aged 70	18.2	18.2

Remeasurement	3 July 2020 (£m)	5 July 2019 (£m)
Remeasurement – Experience (gain)/loss on liabilities	**(0.2)**	0.1
Remeasurement – Losses from changes to financial assumptions	**0.6**	0.7
Total remeasurement	**0.4**	0.8

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

15 PROVISIONS (CONTINUED)

ANNUITIES (CONTINUED)

Reconciliation of annuity obligation	3 July 2020 (£m)	5 July 2019 (£m)
Obligation at start of period	**7.5**	6.9
Interest cost	**0.1**	0.1
Benefits paid	**(0.5)**	(0.2)
Remeasurement	**0.4**	0.7
Obligation at end of period	**7.5**	7.5

Sensitivities	
0.1% pa decrease in the discount rate	£0.1m increase
0.1% pa increase in the assumed rates of inflation	£nil increase
10% decrease in the assumed long term rate of mortality improvements	£0.3m decrease

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 property provisions on 6 July 2019 was 1.6%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

16 COMMITMENTS UNDER OPERATING LEASES

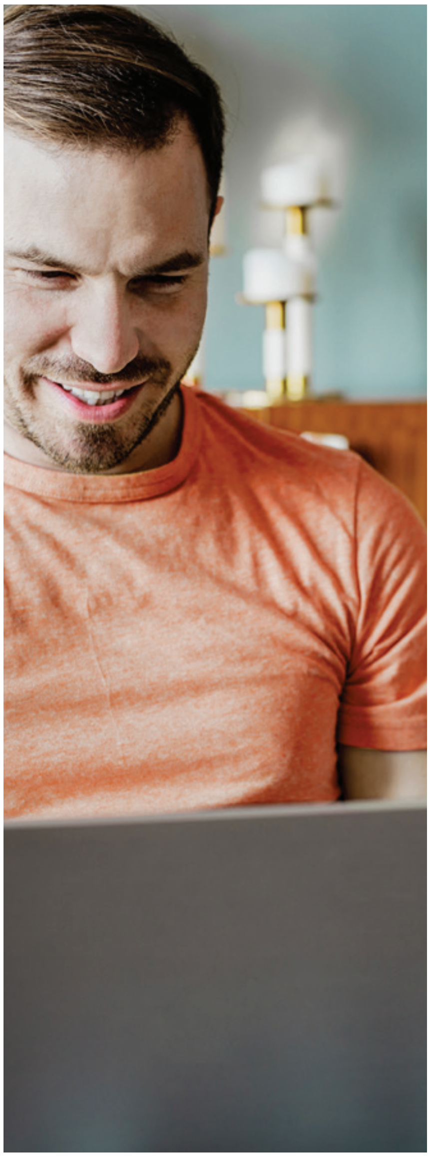
ACCOUNTING POLICY

Prior to the adoption of IFRS 16 on 6 July 2019, operating lease rentals were accounted for in accordance with IAS 17. These leases are for assets which include buildings and equipment.

At 5 July 2019 total commitments under non-cancellable operating leases are set out below:

Group	5 July 2019 Land and buildings (£m)	5 July 2019 Other (£m)
Operating leases which expire:		
Within one year	23.1	1.0
Two to five years	79.7	1.2
After five years	67.3	-
	170.1	2.2

LLP	5 July 2019 Land and buildings (£m)	5 July 2019 Other (£m)
Operating leases which expire:		
Within one year	16.8	-
Two to five years	63.3	-
After five years	50.7	-
	130.8	-



NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

17 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:

	3 July 2020 (£m)	5 July 2019 (£m)
Income earned from subsidiaries	-	9.4
Purchases from subsidiaries	**414.5**	343.9

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 £nil and £220,000 (£nil and £115,000 2019) in salary for their services. The largest entitlement to profit, including remuneration, was £220k (£115k 2019). There were no management personnel compensation for any type of benefits. The total management compensation was £0.9m (£0.5m 2019).

18 CONTINGENT LIABILITIES

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.

ACCOUNTING POLICY

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 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).

Approximate allowance for the requirement to equalise guaranteed minimum pension benefits (GMP's) in the schemes has been made in the balance sheet position as at 3 July 2020, pending clarification of the exact approach to take for implementation of full equalisation. The 1.1% and 1.3% increase to the non-equalised liabilities of the BDO Pension Scheme and BDO ES Pension Scheme respectively, has been fully recognised in the year-end income statement as a past service cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 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:

	3 July 2020 (£m)	5 July 2019 (£m)
Defined benefit obligation	**(117.0)**	(106.6)
Fair value of plan assets	**100.1**	95.6
Net defined benefit liability	**(16.9)**	(11.0)

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 3 July 2020 (2019 - £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 2020. 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 (2019 - £0.6m). 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 PENSIONS (CONTINUED)

DEFINED CONTRIBUTION ARRANGEMENT

In the period the Group paid minimal contributions (2019: minimal) to the DC section of the BDO Pension Scheme. There is no adjustment under IAS19 for this section of the scheme.

Key actuarial assumptions	3 July 2020 %	5 July 2019 %
Discount rate	**1.4**	2.3
Rate of inflation – RPI	**3.2**	3.6
Rate of inflation – CPI	**2.6**	2.6
Commutation – 20% (2019: 20%)	**20.0**	20.0

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 2) mortality base tables with future improvements in line with CMI2018 projection tables subject to a long-term rate of improvement of 1% pa.

Life expectancies from age 65:	3 July 2020	5 July 2019
Male currently aged 65	**86.8**	86.6
Female currently aged 65	**89.1**	88.9
Male currently aged 45	**87.8**	87.6
Female currently aged 45	**90.2**	90.1

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:

Effect on net defined benefit liability:	
0.1% pa decrease in the discount rate	£1.1m increase
0.1% pa increase in the assumed rates of inflation	£0.3m increase
0.5% increase in the assumed long term rate of mortality improvements	£1.2m increase

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 PENSIONS (CONTINUED)

Reconciliation of funded status to statement of financial position	3 July 2020 (£m)	5 July 2019 (£m)
Defined benefit obligation	**(71.3)**	(64.6)
Fair value of plan assets	**64.2**	61.5
Net defined benefit liability	**(7.1)**	(3.1)

Reconciliation of defined benefit obligation over the period	3 July 2020 (£m)	5 July 2019 (£m)
Defined benefit obligation at the start of the period	**64.6**	60.8
Interest expense on defined benefit obligation	**1.4**	1.6
Past service cost	**-**	0.7
Remeasurement – effect of experience adjustments (gain)/loss	**(0.1)**	0.8
Remeasurement – effect of changes in financial assumptions – loss	**8.4**	4.0
Remeasurement – effect of changes in demographic assumptions loss/(gain)	**0.1**	(0.6)
Benefits paid	**(3.1)**	(2.7)
Defined benefit obligation at the end of the period	**71.3**	64.6

Assets	3 July 2020 (£m)	3 July 2020 % weight	5 July 2019 (£m)	5 July 2019 % weight
Equities & property	**8.7**	**13.6%**	22.4	36.4%
Bonds	**8.2**	**12.7%**	-	-
Gilts	**-**	**-**	29.1	47.3%
Diversified funds	**22.8**	**35.5%**	-	-
Liability driven investment	**20.2**	**31.4%**	-	-
Other assets	**0.4**	**0.7%**	6.0	9.8%
Annuity policies	**3.9**	**6.1%**	4.0	6.5%
	64.2	**100.0%**	61.5	100.0%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 PENSIONS (CONTINUED)

Reconciliation of fair value of plan assets over the period	3 July 2020 (£m)	5 July 2019 (£m)
Fair value of plan assets at the start of the period	**61.5**	60.8
Interest income on plan assets	**1.4**	1.6
Remeasurement – return on plan assets excluding interest income	**4.4**	1.2
Contributions by the employer	**-**	0.6
Benefits paid	**(3.1)**	(2.7)
Fair value of plan assets at the end of the period	**64.2**	61.5
Return on plan assets	**5.8**	2.8

Reconciliation of funded position	3 July 2020 (£m)	5 July 2019 (£m)
Net defined benefit liability at start of period	**3.1**	-
Expense recognised in income statement	**-**	0.7
Loss recognised in statement of comprehensive income	**4.0**	3.0
Contributions by the employer	**-**	(0.6)
Net defined benefit liability at end of period	**7.1**	3.1

Analysis of charge to income statement	3 July 2020 (£m)	5 July 2019 (£m)
Past service cost	**-**	0.7
Net interest expense on net defined benefit liability	**-**	-
	-	0.7

Remeasurements recognised in statement of comprehensive income	3 July 2020 (£m)	5 July 2019 (£m)
Remeasurement – effect of experience adjustments – gain/(loss)	**0.1**	(0.8)
Remeasurement – effect of changes in financial assumptions – (loss)	**(8.4)**	(4.0)
Remeasurement – effect of changes in demographic assumptions – (loss)/gain	**(0.1)**	0.6
Remeasurement – return on plan assets excl. interest income - gain	**4.4**	1.2
Total remeasurement (loss)/gain recognised in statement of comprehensive income	**(4.0)**	(3.0)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 PENSIONS (CONTINUED)

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 3 July 2020 the schemes were showing a net defined benefit liability of £9.8m (2019 - £7.9m).

There are no outstanding or prepaid contributions to these arrangements as at 30 June 2020 (2019 - £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 2020.

During the period, the Group paid contributions of £0.9m (2019 - £0.7m). 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 2017 by Broadstone and on 1 May 2016 (BDO ES (Manchester) Fund) by Aviva. The ongoing contribution levels were set at £0.5m and £0.1m per annum respectively. In addition, at the end of the year, the Trustees secured additional voluntary contributions from the Group, currently at the level of £0.6m per annum.

Key actuarial assumptions	3 July 2020	5 July 2019
	%	%
Discount rate	**1.4**	2.3
Rate of inflation – RPI	**3.2**	3.6
Rate of inflation – CPI	**2.6**	2.6
Commutation – percentage of pension	**20.0**	20.0

The underlying mortality assumption is based upon the SAPS (Series 2) mortality base tables with future improvements in line with CMI2018 projection tables subject to a long-term rate of improvement of 1% pa.

	3 July 2020	5 July 2019
Life expectancies from age 65:		
Male currently aged 65	**86.8**	86.6
Female currently aged 65	**89.1**	88.9
Male currently aged 45	**87.8**	87.6
Female currently aged 45	**90.2**	90.1

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 PENSIONS (CONTINUED)

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:

Effect on net defined benefit liability:	
0.1% pa decrease in the discount rate	£0.6m increase
0.1% pa increase in the assumed rates of inflation	£0.1m increase
0.5% increase in the assumed long term rate of mortality improvements	£0.7m increase

Reconciliation of funded status to statement of financial position	3 July 2020 (£m)	5 July 2019 (£m)
Defined benefit obligation	**(45.7)**	(42.0)
Fair value of plan assets	**35.9**	34.1
Net defined benefit liability	**(9.8)**	(7.9)

Reconciliation of defined benefit obligation over the period	3 July 2020 (£m)	5 July 2019 (£m)
Defined benefit obligation at the start of the period	**42.0**	40.7
Interest expense on defined benefit obligation	**0.8**	1.1
Remeasurement – effect of experience adjustments loss	**(0.4)**	-
Remeasurement – effect of changes in financial assumptions – loss	**5.1**	1.8
Remeasurement – effect of changes in demographic assumptions loss/(gain)	**0.1**	(0.5)
Benefits paid	**(1.9)**	(1.6)
Past service cost	**-**	0.5
Defined benefit obligation at the end of the period	**45.7**	42.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 PENSIONS (CONTINUED)

Assets	3 July 2020 (£m)	3 July 2020 % weight	5 July 2019 (£m)	5 July 2019 % weight
Equities & property	**5.7**	**15.9%**	0.7	2.0%
Bonds	**6.8**	**18.9%**	9.4	27.6%
Gilts	**0.4**	**1.1%**	0.6	1.8%
Diversified funds	**7.3**	**20.3%**	21.6	63.3%
Liability driven investments	**8.5**	**23.7%**	-	-
Cash	**0.3**	**0.9%**	0.1	0.3%
Annuity	**6.9**	**19.2%**	1.7	5.0%
	35.9	**100%**	34.1	100%

Reconciliation of fair value of plan assets over the period	3 July 2020 (£m)	5 July 2019 (£m)
Fair value of plan assets at the start of the period	**34.1**	33.5
Interest income on plan assets	**0.7**	0.9
Contributions by the employer	**0.9**	0.7
Benefits paid	**(1.9)**	(1.6)
Remeasurement – return on planned assets excluding interest income gain	**2.1**	0.6
Fair value of plan assets at the end of the period	**35.9**	34.1
Return on plan assets	**2.8**	1.5

Reconciliation of funded position	3 July 2020 (£m)	5 July 2019 (£m)
Net defined benefit liability at start of period	**7.9**	7.2
Expense recognised in income statement	**0.1**	0.7
Loss recognised in statement of comprehensive income	**2.7**	0.7
Contributions by the employer	**(0.9)**	(0.7)
Net defined benefit liability at end of period	**9.8**	7.9

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

19 PENSIONS (CONTINUED)

Analysis of charge to income statement	3 July 2020 (£m)	5 July 2019 (£m)
Past service cost	-	0.5
Net interest expense on net defined benefit liability	**0.1**	0.2
	0.1	0.7

Remeasurements recognised in statement of comprehensive income	3 July 2020 (£m)	5 July 2019 (£m)
Remeasurement – effect of experience adjustments	**0.4**	-
Remeasurement – effect of changes in financial assumptions – (loss)	**(5.1)**	(1.8)
Remeasurement – effect of changes in demographic assumptions – (loss)/gain	**(0.1)**	0.5
Remeasurement – return on plan assets excluding interest income – gain	**2.1**	0.6
Total remeasurement loss recognised in statement of comprehensive income	**(2.7)**	**(0.7)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

20 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. The Group's and LLP's overall strategy remains unchanged from 2019.

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.

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.

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 3 July 2020 totalled £85m (2019: £85m). The Group facilities were extended in June 2020 with two leading banks, expiring in September 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

20 FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their undiscounted contractual cashflows;

Contractual maturities of financial liabilities At 3 July 2020	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total Contractual cash flows (£m)	Carrying amount (£m)
Trade and other payables	117.2	-	-	**117.2**	**117.2**
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**

Contractual maturities of financial liabilities At 5 July 2019	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total Contractual cash flows (£m)	Carrying amount (£m)
Trade and other payables	103.5	-	-	**103.5**	**103.5**
Bank loans	18.0	11.3	-	**29.3**	**29.3**
Amounts due to former members	9.8	2.0	-	**11.8**	**11.8**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	165.9	-	**165.9**	**165.9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

20 FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

The tables below analyse the LLP's financial liabilities into relevant maturity groupings based on their undiscounted contractual cashflows;

Contractual maturities of financial liabilities At 3 July 2020	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total Contractual cash flows (£m)	Carrying amount (£m)
Trade and other payables	79.7	-	-	**79.7**	**79.7**
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**

Contractual maturities of financial liabilities At 5 July 2019	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total Contractual cash flows (£m)	Carrying amount (£m)
Trade and other payables	53.0	-	-	**53.0**	**53.0**
Amounts due to former members	9.8	2.0	-	**11.8**	**11.8**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	166.4	-	**166.4**	**166.4**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

20 FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

The following tables set out the carrying amount of the Group's financial assets:

	3 July 2020		5 July 2019	
Assets	Amortised cost (£m)	Other financial liabilities (£m)	Amortised cost (£m)	Other financial liabilities (£m)
Trade and other receivables	**184.6**	-	199.6	-
Cash and cash equivalents	**155.0**	-	75.9	-

The following tables set out the carrying amount of the LLP's financial assets:

	3 July 2020		5 July 2019	
Assets	Amortised cost (£m)	Other financial liabilities (£m)	Amortised cost (£m)	Other financial liabilities (£m)
Trade and other receivables	**204.7**	-	267.1	-
Cash and cash equivalents	**129.3**	-	30.7	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

21 BORROWINGS

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

Group	Non-current borrowings (£m)	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due(from)/to members (£m)
At 30 June 2018	-	-	1.3	1.0	130.8
Proceeds from borrowings	12.0	18.0	-	-	-
Transfers	(0.7)	0.7	-	-	-
Repayment of borrowings	-	(0.7)	-	-	-
Capital contributions by members	-	-	-	0.3	17.3
Capital repayments to members	-	-	-	-	(2.6)
Loan capital repayments to members that relates to disposal of subsidiary	-	-	-	-	(0.9)
Finance leases	-	-	(0.8)	-	-
Payment to former members	-	-	-	-	(2.0)
Payment to members	-	-	-	-	(113.8)
Net interest received	-	0.2	-	-	-
Other non-cash movements**	-	(0.2)	-	-	148.9
At 5 July 2019	11.3	18.0	0.5	1.3	177.7
Lease liability recognised*	-	-	159.4	-	-
At 6 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)
Payment to former members	-	-	-	-	(9.1)
Payment to members	-	-	-	-	(133.9)
Lease liability paid	-	-	(20.9)	-	-
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**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 3 JULY 2020 (CONTINUED)

LLP	Non-current borrowings (£m)	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due(from)/to members (£m)
At 30 June 2018	-	-	-	1.0	132.2
Capital contributions by members	-	-	-	0.3	17.6
Capital repayments to members	-	-	-	-	(2.6)
Payment to former members	-	-	-	-	(2.0)
Payment to members	-	-	-	-	(113.8)
Net interest received	-	0.6	-	-	-
Other non-cash movements**	-	(0.6)	-	-	146.8
At 5 July 2019	-	-	-	1.3	178.2
Lease liability recognised*	-	-	123.3	-	-
At 6 July 2019	-	-	123.3	1.3	178.2
Proceeds from borrowings	-	40.0	-	-	-
Capital contributions by members	-	-	-	-	5.3
Capital repayments to members	-	-	-	-	(3.9)
Payment to former members	-	-	-	-	(9.1)
Payment to members	-	-	-	-	(132.9)
Lease liability paid	-	-	(15.0)	-	-
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**

*The Group and LLP adopted IFRS 16 on 6 July 2019. Please refer to note 11 for details on the adjustments recognised.

**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 3 JULY 2020 (CONTINUED)

22 DEFERRED TAX

The movements in the Group's deferred tax assets and liabilities during the year were as follows;

	3 July 2020 (£m)	5 July 2019 (£m)
Balance of deferred tax assets at end of year	-	0.3

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 5 July 2019, 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 19% for the period to 3 July 2020 (17% for the period to 05 July 2019).

There was no deferred tax arising in the LLP for the year to 3 July 2020 (2019: nil).

FOR MORE INFORMATION:

PAUL EAGLAND

+44 (0) 20 7893 2435
paul.eagland@bdo.co.uk

bdo.co.uk

20-12-2103