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BDO LLP

ANNUAL REPORT 2022

RESPONSIBLE GROWTH, ROOTED IN QUALITY

52 WEEKS ENDED 1 JULY 2022
MEMBERS' REPORT AND GROUP AND LLP FINANCIAL STATEMENTS
REGISTERED NUMBER: OC305127

RESPONSIBLE**GROWTH**
ROOTED IN QUALITY

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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 members' report together with the audited consolidated financial statements of BDO LLP, for the 52 weeks ended 1 July 2022.

FOREWORD
(CONTINUED)

INTRODUCTION

As I look back over the last financial year, I am struck, yet again, by the sheer scale of upheaval disrupting the global economy and our everyday lives.

In the last twelve months, the world has emerged from one crisis and entered another. The relief of leaving behind the worst of the pandemic has been tempered by the uncertainty brought about by the Russian invasion of Ukraine.

The financial and humanitarian consequences of both these events have affected us all and led to a profoundly difficult economic context in the UK. The spike in energy prices, the cost-of-living crisis and increasing interest rates are placing significant pressure on people and businesses. UK policy-makers are now faced with the challenge of how to stimulate an economy whilst curbing inflation.

The UK political environment has also added to the uncertainty culminating in one week which saw the change of a Prime Minister as well as the passing of a monarch whose 70-year reign had been a reassuring constant for the nation.

What continues to astound me throughout this period, however, is the capacity of people and businesses to demonstrate the resilience and energy to push forward.

That is not to say that recent years have not been tough on so many people and – as a business leader of 7,000 people in the UK – I am very conscious of the individual pressures that our people and clients face. But I am an optimist at heart and continue to believe in the ability of people to navigate uncertainty and solve seemingly intractable problems.

And whether the issue is climate change, diversity and inclusion, sustainable profit, mental and physical health, investment, audit quality or skilled job creation, I feel that, as BDO edges closer to being a £1bn UK business, it is our responsibility to take a progressive position in these areas and demonstrate it through action. We won't always get it right but if we challenge ourselves to base each decision on a genuine desire to support our people, our clients and to serve the wider public interest then I believe BDO will continue to move in the right direction and be successful.

OUR BUSINESS PERFORMANCE

Against the backdrop of uncertainty this year, BDO's services continued to be in high demand which is testament to the hard work of our highly skilled people. Our revenues reflected this demand as they increased by 11% to £809m. I would like to formally record my thanks to all our people for contributing to this success.

BDO partners made the strategic choice at the start of the year to increase investment to the highest level in the firm's 100-year history and subsequently delivered a programme of significant investment in quality, people and technology. This included recruiting an additional 1,000 people, promoting nearly 3,000 people, running more than 40,000 training programmes, boosting quality assurance, and developing a suite of new technology and digital applications. Overall, an additional £70m was invested in people, quality assurance and technology.

These investments broadly match the increased revenues for the financial year and as a result our profit before tax was down 8% to £187m. This also reflects a return to a more normalised level of profit this year following the prior year's exceptional results which arose from us catching up with work deferred from the COVID-19 lockdown, as well as benefiting from lower costs due to the reduction of travel and events. With these distortions now behind us, our profit levels have returned closer to those expected for a business such as ours.

Average profit per equity partner was down 15% to £647,000 while BDO and its partners contributed VAT, employment and personal taxes of £310m based on the 2021/22 financial results. While our high levels of investment mean a reduction in this year's profit and partner pay, the focus on longer-term sustainable growth is the right decision.

Looking further into the detail of our results, it's clear that all three areas of our business – audit, tax and advisory – performed well this year.

The audit business posted revenues of £324m, up 17% on the previous year. BDO's long history as a leading AIM auditor, our sector understanding and demand from the main market all contributed to the rise in revenue.

FOREWORD
(CONTINUED)

OUR BUSINESS PERFORMANCE (CONTINUED)

Audit revenues from public interest entities (and certain other entities) – representing approximately 5% of the firm's total revenues – are subject to regulatory scrutiny by the Financial Reporting Council (FRC). In this regard, we have publicly confirmed that we are disappointed by the grades and assessment provided by the FRC in their Audit Quality Review (AQR) and are working hard to improve them.

Our audit stream has a comprehensive, long-term, audit quality plan which we regularly discuss with the FRC. As part of this plan, we have made significant investments in resourcing our audit practice over the last year, including the addition of 341 people to take our overall UK audit team headcount to 2,600. Further investments in audit quality initiatives include recent enhancements to our methodologies and technology. These actions take time to embed and are designed to secure improved grades in the coming FRC review periods.

Finally, with regard to audit, we have an established strategy of 'controlled responsible growth'. This strategy resulted in us declining the opportunity to tender for approximately £115m worth of new audit fees and resigning from a further 565 audits, equivalent to £27m in fees.

The tax business generated revenues of £199m reporting growth of 3%. This growth builds on a strong prior year where tax revenues were somewhat inflated by the compliance cycle being interrupted by the first COVID-19 lockdown. To build strong growth even after an exceptional year shows that our tax compliance, private client and tax risk advisory services are in high demand.

Our advisory revenues grew by 10% to £286m. Within advisory, financial services advisory, transaction services and digital advisory had particularly strong years. Our strong sector credentials also helped fuel growth across this part of the business.

BDO's market heartland remains the UK's mid-sized, ambitious and entrepreneurially-spirited businesses and the people behind them. While we service many global and large listed businesses, we have a particular understanding of these mid-sized and high growth entities. These businesses are innovative, resilient and nimble and will, at some stage of their growth, often wish to work with private equity or access capital markets. We call these businesses the 'UK economic engine' because of the impact they have through the national economy. It is a privilege to be working with them.

OUR PEOPLE AND OUR CULTURE

As the firm grows and as the profession-wide competition for the talent intensifies, it is important that we continue to invest in our culture so that BDO remains an employer of choice. With that in mind, it was pleasing to see nearly 58,000 people apply to join us and 18,000 applying for our trainee programme.

Attracting the right people is only half the equation. We need to retain and reward them too. This year, we invested over £6m in training and delivered nearly 40,000 training courses to help develop our people. We also promoted more than 40% (2,912) of our people this year, demonstrating that BDO is a business that prioritises progression.

When it comes to recruitment and progression, diversity and inclusion is important to us. Not only is it the right thing to do but it also leads to better business outcomes. Diversity of people leads to diversity of thought which in turn leads to better decision making.

During the year, we announced an important new ambition for representation in terms of race and ethnicity. By 2026, 10% of our partnership will be from Black, Asian and Minority Ethnic heritage and, of these, 10% will be of Black heritage. Having achieved our first ambition of reaching 20% of our partners being female in November 2021, we continue to be committed to greater gender diversity and have set our next ambition to reach 30% of our partners being female by 2030.

BDO continues to have active networks supporting our LGBT, female, disabled and BAME (CEDAR) communities, as well as the major religious faiths. We are serious about BDO being a place where 'you can be yourself'. Whatever your background, faith or sexuality, we want people to thrive and be the best they can be. Our culture – which has our core purpose of 'helping you succeed' at its heart – is very special. You'll find much more about this in our 2022 Culture and Impact Report.

Innovation also remains a huge focus for us. Being innovative is as much about culture and mindset as it is about technology itself.

This year we launched BDO Labs: a part of our business which researches and develops new digital products and tools which support our overall business plans and drive for high quality. Nurturing the right culture and allowing space for thinking, testing and 'fast learning' are the principles which sit at the heart of BDO Labs.

Labs are now live across tax, audit and advisory, with more than 60 experiments complete and more than 300 ideas submitted. We have launched our first products with many more to come.

FOREWORD
(CONTINUED)

ESG

In a world where climate change and social injustice are headline news every day, the increasing significance of ESG is unsurprising. Businesses of all shapes and sizes are understanding this and BDO is no different.

Having been carbon neutral for three years, we've made a significant environmental commitment by announcing the firm will go net zero emissions. This means we will sufficiently reduce our emissions, so that our contribution to overall climate change strategy is in line with the science to cap temperature increase to no more than 1.5C above pre-industrial levels. We are currently working with an external carbon consultancy to explore how soon we can get there and to create and publish our transition to net zero plan.

We continue to support our people to give back to the communities around them. We offer ten 'citizenship' days a year to our employees who can use their skills to volunteer to help charities and organisations in their local area. Through our summer school programme and long-standing membership of Access Accountancy, we have also helped young people from low socio-economic backgrounds gain valuable work experience in professional services. I am proud of the fact that I didn't go to university and I want to make sure that BDO is a place where everyone can thrive regardless of social background.

Finally, in terms of governance, we created a new structure within the firm to ensure that – as we grow – we have the right levels of scrutiny and challenge within the business. This is set out in our 2022 Transparency Report available on our website and I want to thank our Senior Partner, Matt White, for all his work on establishing the new structure.

GLOBAL NETWORK

The events of the last few years have reminded us that we live in an interconnected and interdependent world.

We have always had an international outlook and the BDO global network continues to thrive and offer opportunities for us and vice versa. That said, a very different challenge occupied our thoughts and our actions this year.

In the immediate aftermath of Russia's invasion of Ukraine, BDO gathered collectively to focus on the safety of our people and their families on the ground.

To support our Ukrainian colleagues, BDO set up a 24/7 response centre staffed by BDO people from around the world including the UK. The centre offered a range of essential services including organising accommodation, transport, land routes to the next destination, flights, visas, and anything they would need when they arrived. Over a four-week period, the team assisted in relocating people to places such as Vienna, Geneva, Bratislava, Budapest, Istanbul and beyond.

When I look at what was achieved during those four weeks alone, I am very proud of our global response and BDO UK's role within it.

THE FUTURE

Finally, I end my introduction to our annual report where I began: thinking about uncertainty. I strongly believe that, despite all the economic headwinds the UK is facing, businesses will continue to prove their resilience, adjust and thrive.

As for BDO, the underlying strength of our firm, our focus on independence, quality and ethics, and our brilliant people have put us in a great position for the future.

We have a healthy balance sheet which enables us to recruit and retain the best and also to invest in our firm. Next year we are expecting our level of investment to outstrip even this year's record level.

We are building a sustainable business with a progressive culture at its heart. By sticking close to our values and core purpose, I know we will be prepared to meet whatever challenges come our way.

MEMBERS' REPORT

FOR THE 52 WEEKS ENDED 1 JULY 2022

REGISTERED OFFICE

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

PRINCIPAL ACTIVITIES, SIGNIFICANT CHANGES AND FUTURE DEVELOPMENTS

The principal activity of BDO LLP (the 'LLP' or 'BDO') is the provision of professional services to clients. The consolidated financial statements comprise the financial statements of the LLP together with its subsidiary undertakings (the 'Group'). The subsidiary undertakings of the LLP are set out in note 12 to the financial statements.

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

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

RESULTS

The Group's consolidated income statement for the 52 weeks ended 1 July 2022 is set out on page 11. The comparative period is for the 52 weeks ended 2 July 2021.

DESIGNATED MEMBERS

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

Paul Eagland, Scott Knight, Gervase MacGregor, Chris Grove, Wendy Walton, Matthew White, Jon Randall, Simon Gallagher, Andy Butterworth and Stuart Collins.

On 1 July 2022 Wendy Walton and Jon Randall retired, whilst on 2 July 2022 Anna Draper and Kaley Crossthwaite were appointed as designated members.

MEMBERS' PROFIT SHARES

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

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

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

Retention from profits earned up to the statement of financial position date is made to fund payment of taxation on members' behalf. This is reflected in amounts due to members. The retention for taxation, which is included within members' interests, in the LLP also takes into account taxation recoverable or payable by the members but not yet due for payment because of timing differences between the treatment of certain items for taxation and that for accounting purposes. Such provision is made to the extent that it is considered material in the context of the need to maintain an equitable treatment between members from year to year.

MEMBERS' CAPITAL AND LOAN CAPITAL

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

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

AMOUNTS DUE TO FORMER MEMBERS

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

DRAWINGS

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

MEMBERS' REPORT

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

GOING CONCERN

Subsequent to the emergence of the Group from the COVID-19 pandemic overall performance has remained satisfactory. The Leadership Team have carefully reviewed current results and prepared detailed trading and cash flow forecasts through to June 2024 as well as considering available banking facilities, other sources of finance and multiple scenarios. The initial period used in the evaluation of the going concern assessment considers the current economic climate.

These scenarios included:

- A base case which forms the basis of the group budget for the 2023 financial year. In this scenario, BDO is able to continue to trade in a similar fashion to that reported for the 2022 financial year
- A downside case which sees a 10% reduction against budget in demand for services offered by the group which continues until June 2024
- A severe downside case which incorporates a 20% reduction against budget in revenue representing a difficult trading environment also continuing until June 2024.

Liquidity is maintained under all three modelled scenarios through the period to June 2024. The group facilities of £100m were extended through to October 2025 with one further one-year extension available to the group. The Leadership Team is confident the Group will maintain adequate levels of liquidity from its committed facilities and comply with all its banking covenants throughout the forecast period. Therefore, the going concern basis has been adopted in preparing the financial statements.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Under that law the members have prepared the group financial statements in accordance with UK adopted international accounting standards.

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

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

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

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

On behalf of the Leadership Team

Paul Eagland

PAUL EAGLAND
MANAGING PARTNER
31 October 2022

ENERGY AND CARBON REPORT

FOR THE 52 WEEKS ENDED 1 JULY 2022

INTRODUCTION

BDO LLP recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. Like many businesses, 2021/22 emissions have increased relative to the previous year due to the reducing impact of the COVID-19 pandemic on office use and travel. However, emissions have not increased to the levels of the pre- COVID period, and as BDO transforms into an agile working firm, we continue to be committed to reducing our emissions.

PERFORMANCE

Our carbon footprint for the 2021/22 reporting year has been calculated based on our environmental impact across scope 1, 2 and 3 (selected categories) emission sources for the UK only. Our emissions are presented on both a location and market basis. On a location basis our emissions are 3,025 tCO_2e, which is an average impact of 0.39 tCO_2e per employee, and on a market basis our emissions are 2,695 tCO_2e. We have calculated emission intensity metrics on an employee basis, which we will monitor to track performance in our subsequent environmental disclosures.

The reduced impact of COVID-19 is evident in the 2021/22 figures, with overall emissions increasing by over 200% relative to 2020/21 but remaining well below pre-COVID-19 levels. The most significant increases in emissions are from travel, particularly flights. The only activity to show a reduction in emissions relative to the previous year is waste, where an increase in the proportion of waste being recycled rather than going to landfill has resulted in reduced emissions, despite an increase in the overall volume of waste.

ENERGY AND CARBON ACTION

In the period covered by the report BDO LLP has taken the following energy saving initiatives:

- The air conditioning and fresh air ventilation at one of our offices, has been replaced with a newer more energy efficient system
- All utility (Gas and Electric) tariffs have been renewed as renewables for the offices where we are responsible for the supply and confirmed with the landlords for the others that they are also on the same
- During the year, we further developed our car scheme to only offer electric vehicles, resulting in 67% of the fleet being electric vehicles at period end.

Further, we are looking to introduce timers for some appliances and LED lighting.

RESULTS

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

- World Resources Institute (WRI) Greenhouse Gas (GHG) Protocol (revised version)
- Defra's Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting requirements (March 2019)
- UK office emissions have been calculated using the Defra 2022 issue of the conversion factor repository.

Following an operational control approach to defining our organisational boundary, our calculated GHG emissions from business activities fall within the reporting period of July 2021 to June 2022 and using reporting period of July 2020 to June 2021 for comparison, as well as July 2019 to June 2020.

ENERGY AND CARBON REPORT

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

EMISSIONS AND ENERGY USAGE

Scope	Emissions source	2022	2021	2020
Scope 1	Natural gas	123	99	165
	Company and leased cars	1	<1	3
Scope 2	Electricity	725	450	1,042
	Company and leased cars (EV's)	<1	-	-
Scope 3	Electricity transmission and distribution	66	40	90
	Water	23	1	33
	Employee cars	185	46	644
	Rail	128	3	134
	International rail	<1	<1	1
	Public transport	<1	<1	<1
	Couriers	-	-	52
	Flights	1,760	236	6,342
	Paper	9	2	43
	Waste and recycling	4	8	243
Total tCO2e		**3,025**	**885**	**8,792**
Total energy usage (kWh)		**5,185,957**	**2,782,912**	**8,170,012**
Intensity ratio – tCO2e per employee		**0.39**	**0.13**	**1.39**

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

PAUL EAGLAND
MANAGING PARTNER
31 October 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BDO LLP

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

- give a true and fair view of the state of the group's and of the LLP's affairs as at 1 July 2022 and of the group's profit and the group's and LLP's cash flows for the 52 week period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 Annual Report 2022 (the "Annual Report"), which comprise: the consolidated and LLP statements of financial position as at 1 July 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and LLP statements of cash flows, and the Consolidated and LLP statements of changes in equity and members' interests for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

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

INDEPENDENCE

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

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

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

REPORTING ON OTHER INFORMATION

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

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

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.

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

RESPONSIBILITIES OF THE MEMBERS FOR THE FINANCIAL STATEMENTS (CONTINUED)

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

- for a sample of unbilled revenue on client assignment balances, testing to post year-end billing, and holding discussions with engagement partners, to confirm the reasonableness of assumptions;
- holding discussions with management regarding the valuation of the Group's receivables and the approach adopted towards bad debt provisioning, aligned with IFRS 9;
- performing analytical procedures over the make-up of both unbilled revenue and accounts receivable, and performing additional enquiries around trends that appear unexpected;
- testing a sample of journals that meet our risk of fraud criteria;
- with regards to professional indemnity claims, holding discussions with senior management and in-house legal counsel to update our understanding of the nature of these, and testing movements in the provision through to relevant supporting documentation;
- examining the legal expense account;
- reviewing board minutes and the whistleblowing register to ensure that the matters discussed are consistent with our understanding and other audit evidence obtained

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

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

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

John Ellis (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 October 2022

CONSOLIDATED INCOME STATEMENT

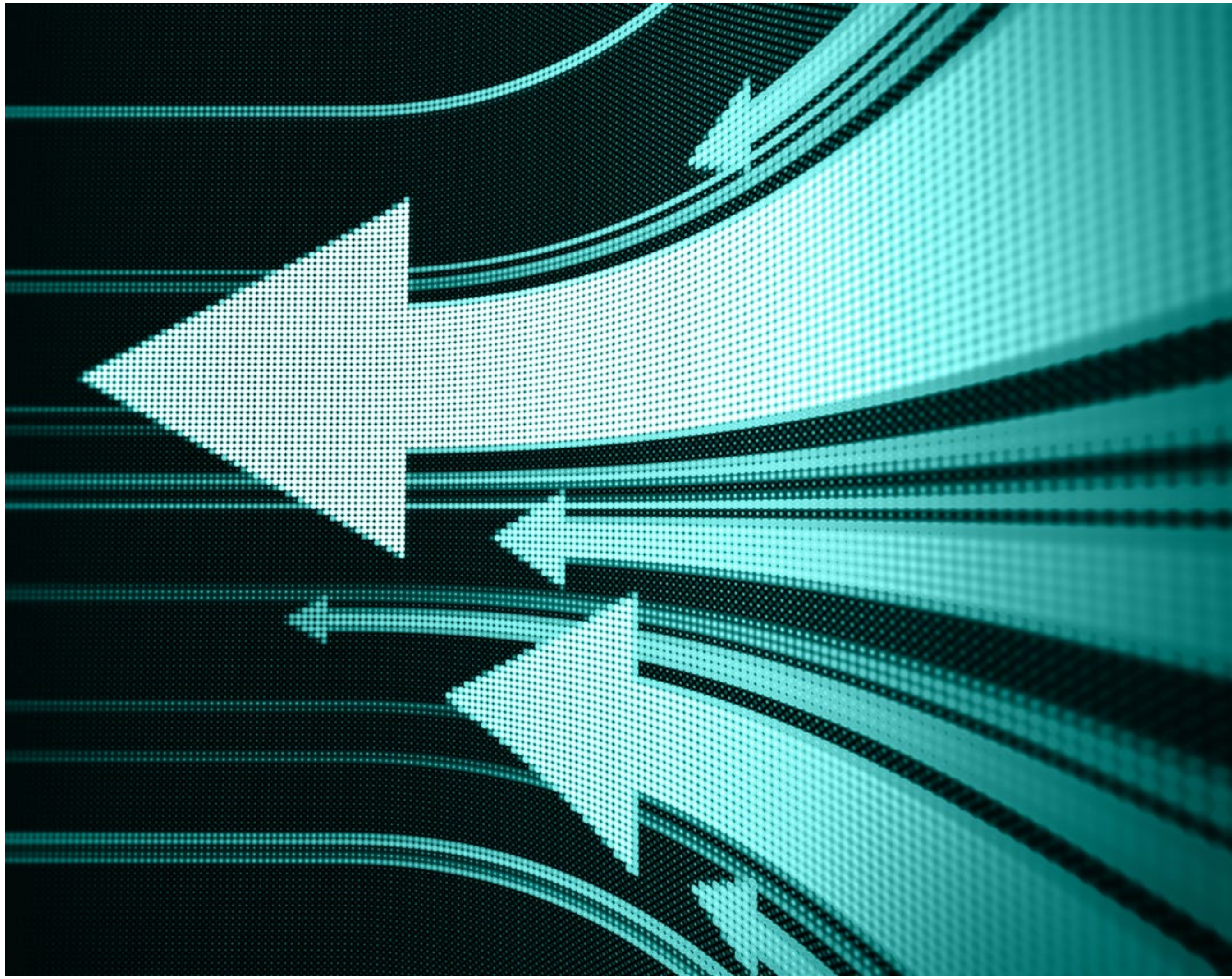
FOR THE 52 WEEKS ENDED 1 JULY 2022

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Revenue	4	**808.5**	730.8
Less other external charges: expenses and disbursements on client assignments		**(38.9)**	(36.0)
Net revenue		**769.6**	694.8
Operating expenses	6	**(588.4)**	(502.4)
Other operating income	6	**8.1**	14.0
Operating profit	6	**189.3**	206.4
Net finance charges	7	**(2.2)**	(3.2)
Profit before tax		**187.1**	203.2
Tax expense in corporate subsidiaries	8	**(5.1)**	(5.4)
Profit for the financial period before members' remuneration charged as an expense		**182.0**	197.8
Members' remuneration charged as an expense		**(11.0)**	(11.2)
Profit for the financial period available for discretionary division among members		**171.0**	186.6
Profit/(loss) for the period attributable to:			
Owners of the parent		**171.2**	186.6
Non-controlling interest		**(0.2)**	-
		171.0	186.6

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 1 JULY 2022

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Profit for the financial period available for discretionary division among members		**171.0**	186.6
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Pension scheme net actuarial gain	18	**7.6**	7.3
Other comprehensive income for the period		**7.6**	7.3
Total comprehensive income		**178.6**	193.9
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**178.8**	193.9
Non-controlling interest		**(0.2)**	-
		178.6	193.9



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 1 JULY 2022

Registered number: OC305127	Note	1 July 2022 (£m)	2 July 2021 (£m)
Assets			
Non-current assets			
Intangible assets	9	**23.4**	27.8
Property, plant and equipment	10	**24.0**	16.4
Right-of-use assets	11	**97.7**	110.7
Other receivables	13	**0.8**	1.7
		145.9	156.6
Current assets			
Trade and other receivables	13	**174.3**	160.8
Contract assets	13	**81.1**	75.1
Cash and bank balances		**63.5**	111.1
		318.9	347.0
Total assets		**464.8**	503.6
Liabilities			
Current liabilities			
Trade and other payables	14	**85.2**	81.3
Contract liabilities	14	**21.5**	27.0
Lease liabilities	11	**19.3**	18.7
Loans and borrowings	14	**10.3**	42.1
		136.3	169.1

	Note	1 July 2022 (£m)	2 July 2021 (£m)
Non-current liabilities			
Loans and borrowings	14	**2.9**	9.1
Members' capital	14	**1.4**	1.3
Amounts due to members	14	**206.1**	184.5
Provisions	15	**21.8**	20.7
Employee benefits – pension liability	18	**0.2**	8.8
Lease liabilities	11	**84.0**	98.6
Deferred tax liabilities	21	**1.3**	-
		317.7	323.0
Total liabilities		**454.0**	492.1
Net assets attributable to members		**10.8**	11.5
Equity			
Members' other reserves		**11.0**	11.5
Non-controlling interest		**(0.2)**	-
Total equity		**10.8**	11.5
Members' interests			
Members' capital	14	**1.4**	1.3
Amounts due to members	14	**206.1**	184.5
Members' other reserves		**11.0**	11.5
Total members' interests		**218.5**	197.3

The financial statements on pages 11 to 52 were authorised for issue on 31 October 2022 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 1 JULY 2022

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

	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members' interests (£m)	Non-controlling interest (equity) (£m)
Comprehensive income for the period:					
Members' remuneration charged as an expense	-	-	11.0	**11.0**	-
Profit for the period available for discretionary division among members	171.2	-	-	**171.2**	(0.2)
Other comprehensive income for the period:					
Pension scheme net actuarial gain	7.6	-	-	**7.6**	-
Total comprehensive income for the period	178.8	-	11.0	**189.8**	(0.2)
Contributions by and distributions to members:					
Allocated profit	(179.3)	-	179.3	**-**	-
Introduced by members	-	0.2	8.9	**9.1**	-
Repaid to members	-	(0.1)	(4.7)	**(4.8)**	-
Amounts reclassified as amounts due to former members within payables	-	-	(10.2)	**(10.2)**	-
Drawings and distributions	-	-	(162.7)	**(162.7)**	-
At 1 July 2022	11.0	1.4	206.1	**218.5**	(0.2)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 1 JULY 2022

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Cash flows from operating activities			
Profit for the period		**171.0**	186.6
Amortisation and impairment of intangibles	9	**4.4**	7.9
Depreciation of property, plant and equipment	10	**6.2**	4.9
Depreciation and impairment of right-of-use assets	11	**18.1**	18.5
Loss on disposal of property, plant and equipment		**1.3**	-
Difference between pension charge and cash contributions	18	**(1.0)**	(0.8)
Finance expense	7	**2.3**	3.3
Finance income	7	**(0.1)**	(0.1)
Tax expense	8	**5.1**	5.4
Members' remuneration charged as an expense		**11.0**	11.2
Increase in trade and other receivables		**(18.5)**	(33.4)
Decrease in trade and other payables		**(0.5)**	(14.7)
Increase/(decrease) in provisions		**0.9**	(2.8)
Cash generated from operations		**200.2**	186.0
UK corporation tax paid		**(4.6)**	(3.9)
Net cash flow generated from operating activities		**195.6**	182.1

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Investing activities			
Purchase of property, plant and equipment	10	**(15.2)**	(5.8)
Net cash used in investing activities		**(15.2)**	(5.8)
Financing activities			
Drawings and distributions to members		**(162.7)**	(155.7)
Introduced by members		**9.1**	6.0
Repaid to members		**(4.8)**	(4.8)
Amounts repaid to former members		**(9.9)**	(4.6)
Loan repayments	14	**(38.3)**	(33.0)
Interest paid		**(2.5)**	(3.2)
Interest received		**0.1**	0.1
Lease liabilities paid		**(19.0)**	(25.0)
Net cash used in financing activities		**(228.0)**	(220.2)
Net movement in cash and cash equivalents		**(47.6)**	(43.9)
Cash and cash equivalents at beginning of period		**111.1**	155.0
Cash and cash equivalents at end of period		**63.5**	111.1

LLP STATEMENT OF FINANCIAL POSITION

AS AT 1 JULY 2022

Registered number: OC305127	Note	1 July 2022 (£m)	2 July 2021 (£m)
Assets			
Non-current assets			
Intangible assets	9	**8.4**	8.9
Property, plant and equipment	10	**4.0**	4.4
Right-of-use assets	11	**71.6**	85.4
Investments in subsidiary undertakings	12	**3.3**	3.3
Other receivables	13	**0.8**	0.9
		88.1	102.9
Current assets			
Trade and other receivables	13	**176.5**	164.8
Contract assets	13	**80.9**	75.1
Cash and bank balances		**48.7**	106.1
		306.1	346.0
Total assets		**394.2**	448.9

	Note	1 July 2022 (£m)	2 July 2021 (£m)
Liabilities			
Current liabilities			
Trade and other payables	14	**57.4**	40.1
Contract liabilities	14	**21.5**	27.0
Lease liabilities	11	**15.0**	15.0
Loans and borrowings	14	**12.5**	62.0
		106.4	144.1
Non-current liabilities			
Loans and borrowings	14	**2.9**	3.8
Members' capital	14	**1.4**	1.3
Amounts due to members	14	**206.1**	184.5
Provisions	15	**14.9**	11.9
Employee benefits – pension liability	18	**0.2**	8.8
Lease liabilities	11	**60.0**	74.2
		285.5	284.5
Total liabilities		**391.9**	428.6
Net assets attributable to members		**2.3**	20.3

LLP STATEMENT OF FINANCIAL POSITION

AS AT 1 JULY 2022 (CONTINUED)

	Note	1 July 2022 (£m)	2 July 2021 (£m)
Equity			
Members' other reserves		**2.3**	20.3
Represented by:			
Members' capital	14	**1.4**	1.3
Amounts due to members	14	**206.1**	184.5
Members' other reserves		**2.3**	20.3
Total members' interests		**209.8**	206.1

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 £154.4m (2021: £171.4m).

The financial statements of pages 11 to 52 were approved and authorised for issue on 31 October 2022 and signed on behalf of the members of BDO LLP by:

PAUL EAGLAND
MANAGING PARTNER

STUART COLLINS
FINANCE PARTNER

LLP STATEMENT OF CHANGES IN EQUITY AND MEMBERS' INTERESTS

FOR THE 52 WEEKS ENDED 1 JULY 2022

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

	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members' interests (£m)
Comprehensive income for the period:				
Members' remuneration charged as an expense	-	-	9.9	**9.9**
Profit for the period available for discretionary division among members	154.4	-	-	**154.4**
Other comprehensive income for the period:				
Pension scheme net actuarial gain	7.6	-	-	**7.6**
Total comprehensive income for the period	162.0	-	9.9	**171.9**
Contributions by and distributions to members:				
Allocated profit	(180.0)	-	180.0	**-**
Introduced by members	-	0.2	8.9	**9.1**
Repaid to members	-	(0.1)	(4.7)	**(4.8)**
Amounts reclassified as amounts due to former members within payables	-	-	(10.2)	**(10.2)**
Drawings and distributions	-	-	(162.3)	**(162.3)**
At 1 July 2022	2.3	1.4	206.1	**209.8**

LLP STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 1 JULY 2022

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Cash flows from operating activities			
Profit for the period		**154.4**	171.4
Amortisation of intangibles	9	**0.5**	0.4
Depreciation of property, plant and equipment	10	**1.2**	2.3
Depreciation of right-of-use assets	11	**14.6**	14.8
Loss on disposal of property, plant and equipment		**1.3**	-
Difference between pension charge and cash contributions	18	**(1.0)**	(0.8)
Finance expense		**2.0**	2.7
Finance income		**(0.2)**	(0.5)
Members' remuneration charged as an expense		**9.9**	10.1
Increase in trade and other receivables		**(17.4)**	(26.7)
Increase/(decrease) in trade and other payables		**12.1**	(17.7)
Increase/(decrease) in provisions		**2.8**	(1.2)
Net cash flow generated from operating activities		**180.2**	154.8
Investing activities			
Purchase of property, plant and equipment	10	**(2.1)**	(0.6)
Net cash used in investing activities		**(2.1)**	(0.6)

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Financing activities			
Drawings and distributions to members		**(162.3)**	(154.6)
Introduced by members		**9.1**	6.0
Repaid to members		**(4.8)**	(4.8)
Amounts repaid to former members		**(9.9)**	(4.6)
Proceeds from loans and borrowings	14	**-**	11.6
Loan repayments	14	**(50.7)**	(10.0)
Interest paid		**(2.2)**	(2.6)
Interest received		**0.2**	0.5
Lease liabilities paid		**(14.9)**	(18.9)
Net cash used in financing activities		**(235.5)**	(177.4)
Net movement in cash and cash equivalents		**(57.4)**	(23.2)
Cash and cash equivalents at beginning of period		**106.1**	129.3
Cash and cash equivalents at end of period		**48.7**	106.1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022

1. ACCOUNTING POLICIES

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

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

BASIS OF PREPARATION

The consolidated financial statements of the BDO Group have been prepared in accordance with UK adopted international accounting standards. Their preparation requires the use of certain critical accounting estimates and for 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 UK adopted international accounting standards. Subsequent to the emergence of the Group from the COVID-19 pandemic overall performance has remained satisfactory. The Leadership Team have carefully reviewed current results and prepared detailed trading and cash flow forecasts through to June 2024 as well as considering available banking facilities, other sources of finance and multiple scenarios. The initial period used in the evaluation of the going concern assessment considers the current economic climate.

These scenarios included:

- A base case which forms the basis of the Group budget for the 2023 financial year. In this scenario, BDO is able to continue to trade in a similar fashion to that reported for the 2022 financial year
- A downside case which sees a 10% reduction against budget in demand for services offered by the Group which continues until June 2024
- A severe downside case which incorporates a 20% reduction against budget in revenue representing a difficult trading environment also continuing until June 2024.

Liquidity is maintained under all three modelled scenarios through the period to June 2024. The Group facilities of £100m were extended through to October 2025 with one further one-year extension available to the Group. The Leadership Team is confident the Group will maintain adequate levels of liquidity from its committed facilities and comply with all its banking covenants throughout the forecast period. Therefore, the going concern basis has been adopted in preparing the financial statements.

BASIS OF CONSOLIDATION

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

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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand as well as short term deposits which have an original maturity of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

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

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

- Annual Improvements to IFRS Standards 2018-2020. Effective for accounting periods beginning on or after 1 January 2022
- Amendments to IFRS 3, IAS 16 and IAS 37. Effective for accounting periods beginning on or after 1 January 2022
- IFRS 17 Insurance Contracts, including Amendments to IFRS 17. Effective for accounting periods beginning on or after 1 January 2023
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current – Deferral of Effective Date. Effective for accounting periods beginning on or after 1 January 2023
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies and Definitions of Accounting Estimates. Effective for accounting periods beginning on or after 1 January 2023
- Amendments to IAS 8: Definitions of Accounting Estimates. Effective for accounting periods beginning on or after 1 January 2023
- Amendments to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction. Effective for accounting periods beginning on or after 1 January 2023
- *Amendments to IFRS 17 – Initial application of IFRS 17 and IFRS 9 – Comparative Information. Effective for accounting periods beginning on or after 1 January 2023.

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

*Not yet endorsed for use in the UK.

2. REVENUE

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

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

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

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued.

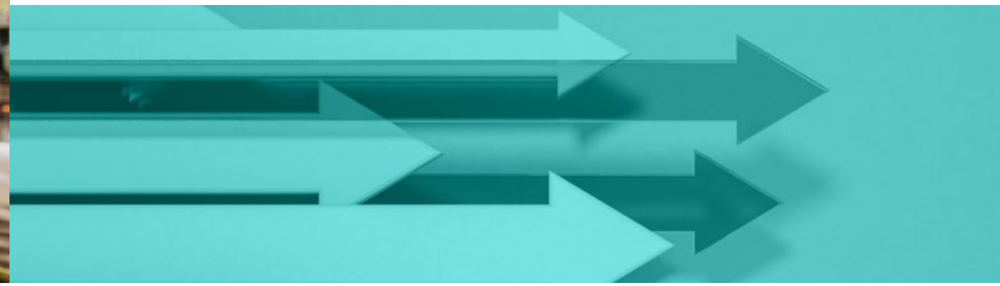
The critical accounting estimates that could have significant effect upon the Group's financial results relate to:

- Valuation of contract assets – estimating the billable value of the contract asset. A 10% movement in contract assets would result in a change of £8.1m in revenue and contract assets
- Net deficit or surplus disclosed for each defined benefit pension scheme and annuity provisions – these are sensitive to movements in the related actuarial assumptions, in particular the discount rate, inflation, and mortality.

There are no critical judgements to note, but there are judgements in the below areas:

- Expected credit loss against trade receivables
- Goodwill impairment
- Disclosure of members remuneration in the statement of cash flows in the financing section.

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 1 JULY 2022 (CONTINUED)

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

	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Revenue		
Audit	**323.8**	276.4
Advisory	**285.8**	260.5
Tax	**198.9**	193.9
	808.5	730.8
Operating profit		
Audit	**73.5**	65.0
Advisory	**52.1**	67.4
Tax	**62.4**	76.8
Unallocated	**1.3**	(2.8)
	189.3	206.4
Total members interests		
Audit	**72.9**	57.7
Advisory	**69.9**	64.6
Tax	**69.0**	56.9
Unallocated	**6.7**	18.1
	218.5	197.3

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

5. EMPLOYEES AND MEMBERS

ACCOUNTING POLICY

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

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

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

	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Staff costs (excluding members) consist of:		
Wages and salaries	**316.1**	291.4
Settlement costs	**0.4**	1.0
Social security costs	**35.2**	30.4
Other pension costs	**32.2**	20.7
	383.9	343.5

	Number	Number
Audit	**2,464**	2,277
Advisory	**2,151**	1,630
Tax	**953**	980
Central support	**642**	594
	6,210	5,481

The average number of members was 289 (2021: 267). 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 1 July 2022 was 8 (2021: 8). The estimated profit attributable to the members of the Leadership Team amounts to £14.9m (2021: £16.6m).

Certain members received £11.0m (2021: £11.2m) in respect of their services to the Group, which has been charged to the income statement as members' remuneration charged as an expense.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

6. GROUP OPERATING PROFIT

Group operating profit is stated after charging:

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Depreciation of property, plant and equipment – owned	10	**6.2**	4.9
Loss on disposal of property, plant and equipment		**1.3**	-
Amortisation of intangibles	9	**4.4**	4.4
Impairment of intangibles	9	**-**	3.5
Depreciation and impairment of right-of-use assets	11	**18.1**	18.5
Employee costs	5	**383.9**	343.5
Provisions charge	15	**2.5**	0.9
Other*		**172.0**	126.7
		588.4	502.4
Services provided by and fees payable to the Group's auditors:			
Audit of the LLP and consolidated financial statements		**0.2**	0.2
Audit of the Group's subsidiaries pursuant to legislation		**0.1**	0.1

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

Other operating income is stated after crediting income received through sub-letting land and buildings of £3.1m (2021: £3.2m).

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

7. NET FINANCE CHARGES

	Note	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Finance expense:			
Bank loans and overdrafts		**(0.3)**	(0.9)
Net interest cost on pension liabilities	18	**(0.1)**	(0.2)
Interest on lease liabilities and property dilapidations	11 & 15	**(1.9)**	(2.2)
		(2.3)	(3.3)
Finance income:			
Short term deposits and investments		**0.1**	0.1
		0.1	0.1
Net finance charges		**(2.2)**	(3.2)

Interest on lease liabilities and property dilapidations includes a £0.1m (2021: £0.2m) interest charge on property dilapidations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (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.

	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Current tax	**3.0**	6.2
Deferred tax	**2.1**	(0.8)
Total tax expense	**5.1**	5.4
Factors affecting the tax charge for the period:		
Profit on ordinary activities of corporate subsidiaries before taxation	**36.1**	33.1
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**6.9**	6.3
Impact of items not deductible for tax purposes	**0.6**	1.6
Income not subject to taxation	**(2.5)**	(2.3)
Adjustments in respect of prior periods	**0.1**	-
Adjustment in deferred tax due to change in corporation tax rate	**-**	(0.2)
	5.1	5.4

9. INTANGIBLE ASSETS

ACCOUNTING POLICIES

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 cash generating units have been identified with reference to the specific trade acquired as part of the relevant business combination. 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 2027. We have assumed a growth rate of 2.4% (2021: 0.4%) within the next five years. The discount rates used in the VIU calculation are based on a pre-tax estimated weighted average cost of capital of 14% (2021: 9%). At 1 July 2022, the carrying amount of the Group's goodwill was £11.7m (2021: £11.7m). The largest element of goodwill held within the Group is £7.0m in respect of trade acquired by the Group in 2008. A reasonable change in the key assumptions does not have a significant impact on the difference between value in use and the carrying value. The CGU's are at the business stream level as this is the lowest level that the Group monitors goodwill and for which financial information can be obtained.

Customer relationships

The fair value of separately identifiable intangible assets acquired as part of the acquisition in 2019 of certain trade and assets of Moore Stephens LLP, was evaluated and Customer Relationships of £26.9m were identified and capitalised. In subsequent years, £0.2m has been disposed. These assets will be amortised over their useful lives of between 5.4 and 7.4 years.

Other intagible 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 1 JULY 2022 (CONTINUED)

9. INTANGIBLE ASSETS (CONTINUED)

Group	Customer relationships (£m)	Goodwill (£m)	Computer software (£m)	Total (£m)
Cost				
At 3 July 2020, 2 July 2021 and 1 July 2022	**26.7**	**11.7**	**4.6**	**43.0**
Accumulated amortisation/impairment				
At 3 July 2020	6.2	-	1.1	7.3
Amortisation charge for the period	4.4	-	-	4.4
Impairment	-	-	3.5	3.5
At 2 July 2021	10.6	-	4.6	15.2
Amortisation charge for the period	4.4	-	-	4.4
At 1 July 2022	**15.0**	**-**	**4.6**	**19.6**
Net carrying amount at 3 July 2020	20.5	11.7	3.5	35.7
Net carrying amount at 2 July 2021	16.1	11.7	-	27.8
Net carrying amount at 1 July 2022	**11.7**	**11.7**	**-**	**23.4**

LLP	Customer relationships (£m)	Goodwill (£m)	Total (£m)
Cost			
At 3 July 2020, 2 July 2021 and 1 July 2022	**3.0**	**7.0**	**10.0**
Accumulated amortisation/impairment			
At 3 July 2020	0.7	-	0.7
Amortisation charge for the period	0.4	-	0.4
At 2 July 2021	1.1	-	1.1
Amortisation charge for the period	0.5	-	0.5
At 1 July 2022	**1.6**	**-**	**1.6**
Net carrying amount at 3 July 2020	2.3	7.0	9.3
Net carrying amount at 2 July 2021	1.9	7.0	8.9
Net carrying amount at 1 July 2022	**1.4**	**7.0**	**8.4**

Amortisation of intangible assets is included in operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICIES

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

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

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

Group	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Motor vehicles (£m)	Total (£m)
Cost				
At 3 July 2020	41.6	17.1	0.1	58.8
Additions	2.1	3.7	-	5.8
Disposals	(1.9)	(0.1)	-	(2.0)
At 2 July 2021	41.8	20.7	0.1	62.6
Derecognised	(0.1)	-	-	(0.1)
Additions	3.3	11.9	-	15.2
Disposals	(2.3)	(0.8)	-	(3.1)
At 1 July 2022	**42.7**	**31.8**	**0.1**	**74.6**
Accumulated amortisation/impairment				
At 3 July 2020	33.3	9.9	0.1	43.3
Charge for the period	2.5	2.4	-	4.9
Disposals	(1.9)	(0.1)	-	(2.0)
At 2 July 2021	33.9	12.2	0.1	46.2
Charge for the period	1.9	4.3	-	6.2
Disposals	(1.4)	(0.4)	-	(1.8)
At 1 July 2022	**34.4**	**16.1**	**0.1**	**50.6**
Net carrying amount at 3 July 2020	8.3	7.2	-	15.5
Net carrying amount at 2 July 2021	7.9	8.5	-	16.4
Net carrying amount at 1 July 2022	**8.3**	**15.7**	**-**	**24.0**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

LLP	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Total (£m)
Cost			
At 3 July 2020	33.3	6.2	39.5
Additions	0.3	0.3	0.6
Disposals	-	(0.1)	(0.1)
At 2 July 2021	33.6	6.4	40.0
Additions	1.3	0.8	2.1
Disposals	(2.3)	(0.7)	(3.0)
At 1 July 2022	**32.6**	**6.5**	**39.1**
Accumulated amortisation/impairment			
At 3 July 2020	29.1	4.3	33.4
Charge for the period	1.8	0.5	2.3
Disposals	-	(0.1)	(0.1)
At 2 July 2021	30.9	4.7	35.6
Charge for the period	0.8	0.4	1.2
Disposals	(1.4)	(0.3)	(1.7)
At 1 July 2022	**30.3**	**4.8**	**35.1**
Net carrying amount at 3 July 2020	4.2	1.9	6.1
Net carrying amount at 2 July 2021	2.7	1.7	4.4
Net carrying amount at 1 July 2022	**2.3**	**1.7**	**4.0**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

11. LEASES

ACCOUNTING POLICIES

Lessee accounting

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

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

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

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

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are depreciated 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 depreciated 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.

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 and equipment comprise only fixed payments over the lease terms. Some of these leases are low in value and are therefore not capitalised, and expensed on a straight-line basis to the income statement. The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

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

The Group has a number of leases with break clauses. These are reviewed during the year to determine whether it is likely that they will be taken. During the year no break clauses were exercised. In the prior year, as a result of the COVID-19 pandemic a break clause in a single lease was exercised. This resulted in £0.7m of right-of-use assets and lease liabilities being derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

11. LEASES (CONTINUED)

Right-of-use assets – Group	Plant and machinery (£m)	Land and buildings (£m)	Total (£m)
Cost			
At 3 July 2020	-	151.4	151.4
Additions	-	2.4	2.4
Modifications	-	(0.7)	(0.7)
At 2 July 2021	-	153.1	153.1
Additions	1.6	3.5	5.1
At 1 July 2022	**1.6**	**156.6**	**158.2**
Accumulated depreciation			
At 3 July 2020	-	23.9	23.9
Charge for the period	-	18.2	18.2
Impairment	-	0.3	0.3
At 2 July 2021	-	42.4	42.4
Charge for the period	0.1	18.0	18.1
At 1 July 2022	**0.1**	**60.4**	**60.5**
Net carrying amount			
At 3 July 2020	-	127.5	127.5
At 2 July 2021	-	110.7	110.7
At 1 July 2022	**1.5**	**96.2**	**97.7**

Right-of-use assets – LLP	Land and buildings (£m)
Cost	
At 3 July 2020	115.5
Additions	0.5
Modifications	(0.7)
At 2 July 2021	115.3
Additions	0.8
At 1 July 2022	**116.1**
Accumulated depreciation	
At 3 July 2020	15.1
Charge for the period	14.8
At 2 July 2021	29.9
Charge for the period	14.6
At 1 July 2022	**44.5**
Net carrying amount	
At 3 July 2020	100.4
At 2 July 2021	85.4
At 1 July 2022	**71.6**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

11. LEASES (CONTINUED)

Lease liabilities – Group	Plant and machinery (£m)	Land and buildings (£m)	Total (£m)
At 3 July 2020	-	140.7	140.7
Additions	-	2.3	2.3
Interest expense	-	2.0	2.0
Lease payments	-	(27.0)	(27.0)
Modifications	-	(0.7)	(0.7)
At 2 July 2021	-	117.3	117.3
Additions	1.7	3.3	5.0
Interest expense	-	1.9	1.9
Lease payments	(0.2)	(20.7)	(20.9)
At 1 July 2022	**1.5**	**101.8**	**103.3**

Lease liabilities – LLP	Land and buildings (£m)
At 3 July 2020	108.3
Additions	0.5
Interest expense	1.5
Lease payments	(20.4)
Modifications	(0.7)
At 2 July 2021	89.2
Additions	0.7
Interest expense	1.3
Lease payments	(16.2)
At 1 July 2022	**75.0**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

11. LEASES (CONTINUED)

Low value leases – Group	52 weeks ended 1 July 2022 (£m)	52 weeks ended 2 July 2021 (£m)
Low value lease expense	2.5	2.3

The LLP does not have any low value leases.

Total commitments on lease liabilities	Group 1 July 2022 (£m)	Group 2 July 2021 (£m)	LLP 1 July 2022 (£m)	LLP 2 July 2021 (£m)
Up to 1 year	**19.3**	18.7	**15.0**	15.0
Between 1 and 2 years	**18.8**	18.4	**14.3**	14.5
Between 2 and 5 years	**54.8**	53.2	**42.3**	42.1
Over 5 years	**10.4**	27.0	**3.4**	17.6
	103.3	117.3	**75.0**	89.2

12. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

LLP	1 July 2022 (£m)	2 July 2021 (£m)
Shares in Group undertakings:		
At beginning and end of period	**3.3**	3.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

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

Subsidiary undertakings	Country of incorporation, registration and operation	Proportion of voting rights, ordinary share capital held	Nature of business
Registered at 55 Baker Street, London, W1U 7EU			
BDO LLP Ltd	England and Wales	100%	Professional services
Clinton Avenue Properties Ltd	England and Wales	100%	In liquidation
New Garden House Pension Trustees Ltd	England and Wales	100%	Trustee
BDO Trustees Ltd	England and Wales	100%	Trustee
The Clients Trustee Company Ltd	England and Wales	100%	Trustee
TBW Trustees Ltd	England and Wales	100%	Trustee
BDO Pension Trustees Ltd	England and Wales	100%	Trustee
BDO Pension Trustees No2 Ltd	England and Wales	100%	Trustee
BDO Trustees (MS) Ltd	England and Wales	100%	Trustee
Snow Hill Trustees Ltd	England and Wales	100%	Trustee
Stoy Hayward Properties	England and Wales	100%	Dissolved 11/10/2022
Stoy Hayward Properties No. 2	England and Wales	100%	Dissolved 11/10/2022
BDO Nominees Ltd	England and Wales	100%	Nominee
Indirect Group interests:			
BDO Services Ltd	England and Wales	100%	Professional services
BDO Employment Services Ltd	England and Wales	100%	Professional services
BDO IFI Services Ltd	England and Wales	100%	Professional services
BDO Holdings Ltd	England and Wales	100%	Holding company
BDO Regulatory Solutions Ltd	England and Wales	67%	Professional services
Registered at Maison Trinity, Trinity Square, St Peter Port, Guernsey, GY1 4AT			
SH Insurance Ltd	Guernsey	100%	Insurance

Subsidiary undertakings	Country of incorporation, registration and operation	Proportion of voting rights, ordinary share capital held	Nature of business
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
Moore Stephens IFI Inc	Liberia	49%	Professional services
Registered at: Building Old East, Place de L'independence, Bujumbura, Burundi			
BDO 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
MS IFI SARL Lebanon	Lebanon	100%	Professional services
Registered at: Rue de l'Independence, Ariana 2080, Tunisia			
IFI Maghreb LLC	Tunisia	100%	Professional services
Registered at: Lot S100 Mandikanamana, Alasora, Madagascar			
IFI Madagascar SARL	Madagascar	100%	Professional services
Registered at: 3rd Floor Emmeuble 4 Etages, Rue Koloko Bonapriso, PO Box 4155, Douala, Cameroon			
IFI Cameroon LLC	Cameroon	100%	Professional services

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICIES

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 of trade receivables have been applied. Expected credit losses in respect of contract assets of £nil (2021: £nil) have been applied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group 1 July 2022 (£m)	Group 2 July 2021 (£m)	LLP 1 July 2022 (£m)	LLP 2 July 2021 (£m)
Current				
Trade receivables	**163.5**	154.7	**162.8**	154.3
Provision for impairment	**(7.3)**	(10.0)	**(7.2)**	(10.0)
Net trade receivables	**156.2**	144.7	**155.6**	144.3
Contract assets	**81.1**	75.1	**80.9**	75.1
Other receivables	**1.7**	3.4	**1.3**	1.7
Amounts owed by Group undertakings	**-**	-	**12.5**	12.9
Total financial assets held at amortised cost	**239.0**	223.2	**250.3**	234.0
Prepayments	**15.5**	12.7	**7.1**	5.9
Corporation tax	**0.9**	-	**-**	-
Total trade and other receivables	**255.4**	235.9	**257.4**	239.9
Non-current				
Other receivables	**0.5**	0.9	**0.5**	0.9
Prepayments	**0.3**	-	**0.3**	-
Deferred tax assets	**-**	0.8	**-**	-
	0.8	1.7	**0.8**	0.9

The carrying value of trade and other receivables classified as financial assets are measured at amortised cost. All amounts shown under receivables for the Group and LLP, with the exception of non-current receivables, are expected to fall due for payment within one year. Trading amounts owed from 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.

The contracts with customers are generally for periods of one year or less or carry a right to consideration directly aligned to the performance to date. The Group has applied the practical expedient set out in IFRS 15 'Revenue from Contracts with Customers' in respect of presentation of the transaction price allocated to partially or fully unsatisfied contracts with customers.

Non-current other receivables relates to accrued consideration in respect of the Group's disposal of BDO Ltd in 2018. This is due to be fully repaid by 2025.

At 1 July 2022, the lifetime expected loss provision for trade receivables for the Group and LLP is based upon the ongoing uncertainty affecting the global economy and other economic factors.

Other receivables include £nil (2021: £0.1m) relating to the fair value of an interest rate swap.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Gross carrying amount (£m)	Loss provision (£m)	Expected loss rate %
1 July 2022			
Current	**96.2**	**1.7**	**1.8%**
31-60 days overdue	**29.4**	**0.5**	**1.7%**
61-90 days overdue	**12.7**	**0.2**	**1.6%**
91-270 days overdue	**17.7**	**0.9**	**5.1%**
>270 days overdue	**7.5**	**4.0**	**53.3%**
	163.5	**7.3**	**4.5%**
2 July 2021			
Current	114.3	0.5	0.4%
31-60 days overdue	13.3	0.2	1.5%
61-90 days overdue	7.5	0.2	2.7%
91-270 days overdue	12.3	2.4	19.5%
>270 days overdue	7.3	6.7	91.8%
	154.7	10.0	6.5%

	Group 1 July 2022 (£m)	Group 2 July 2021 (£m)	LLP 1 July 2022 (£m)	LLP 2 July 2021 (£m)
Movements in the impairment allowance for trade receivables are as follows:				
At beginning of period	**10.0**	11.8	**10.0**	11.8
Increase during the period	**2.5**	3.7	**2.4**	3.7
Unused amounts reversed	**(5.1)**	(4.2)	**(5.1)**	(4.2)
Receivables written off during the period as uncollectable	**(0.1)**	(1.3)	**(0.1)**	(1.3)
At end of period	**7.3**	10.0	**7.2**	10.0
The following shows the ageing of trade receivables:				
Current	**96.2**	114.3	**95.7**	113.9
31-60 days overdue	**29.4**	13.3	**29.4**	13.3
61-90 days overdue	**12.7**	7.5	**12.7**	7.5
91-270 days overdue	**17.7**	12.3	**17.6**	12.3
>270 days overdue	**7.5**	7.3	**7.4**	7.3
Total	**163.5**	154.7	**162.8**	154.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

14. FINANCIAL LIABILITIES

ACCOUNTING POLICIES

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

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

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

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

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

Trade and other payables	Group 1 July 2022 (£m)	Group 2 July 2021 (£m)	LLP 1 July 2022 (£m)	LLP 2 July 2021 (£m)
Current				
Trade payables	**12.2**	7.9	**7.5**	6.1
Other payables	**2.2**	2.5	**-**	0.2
Accruals	**39.3**	42.5	**20.4**	12.7
Total financial liabilities held at amortised cost	**53.7**	52.9	**27.9**	19.0
Other taxation and social security	**31.5**	27.7	**29.5**	21.1
Corporation tax	**-**	0.7	**-**	-
Total trade and other payables (excluding contract liabilities)	**85.2**	81.3	**57.4**	40.1
Contract liabilities	**21.5**	27.0	**21.5**	27.0
Total trade and other payables	**106.7**	108.3	**78.9**	67.1

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

14. FINANCIAL LIABILITIES (CONTINUED)

The opening balance of contract liabilities of the Group and LLP for the period ended 1 July 2022 was £27.0m (2021: £5.1m). During the current financial period, £27.0m (2021: £5.1m) of the opening balance was recognised as revenue.

Loans and borrowings	Group 1 July 2022 (£m)	Group 2 July 2021 (£m)	LLP 1 July 2022 (£m)	LLP 2 July 2021 (£m)
Current				
Bank loans	-	33.0	-	30.0
Amounts owed to group undertakings	-	-	**2.2**	22.9
Amounts due to former members and partners	**10.3**	9.1	**10.3**	9.1
	10.3	42.1	**12.5**	62.0
Non-current				
Bank loans	-	5.3	-	-
Amounts due to former members and partners	**2.9**	3.8	**2.9**	3.8
Loans and borrowings (excluding members)	**2.9**	9.1	**2.9**	3.8
Members' capital	**1.4**	1.3	**1.4**	1.3
Amounts due to members	**206.1**	184.5	**206.1**	184.5
	210.4	194.9	**210.4**	189.6
Total loans and borrowings	**220.7**	237.0	**222.9**	251.6

During the period the Group repaid all of its outstanding bank loans which comprised a £30.0m revolving credit facility and an £8.3m term loan. At 1 July 2022 there are no outstanding balances of bank loans.

AMOUNTS DUE TO FORMER MEMBERS AND PARTNERS

The amounts due to former 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. All distributions are at the discretion of the Leadership Team.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

15. PROVISIONS

ACCOUNTING POLICIES

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

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

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

Professional indemnity

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

Property provisions

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

Group	Annuities (£m)	Professional indemnity (£m)	Property (£m)	Total (£m)
At 2 July 2021	6.7	4.2	9.8	**20.7**
Utilisation of provision	(0.4)	(0.8)	(0.2)	**(1.4)**
(Released)/charged to income statement	(0.9)	3.0	0.4	**2.5**
At 1 July 2022	5.4	6.4	10.0	**21.8**

LLP	Annuities (£m)	Professional indemnity (£m)	Property (£m)	Total (£m)
At 2 July 2021	0.1	5.9	5.9	**11.9**
Utilisation of provision	-	(0.8)	(0.2)	**(1.0)**
Charge to income statement	-	3.5	0.5	**4.0**
At 1 July 2022	0.1	8.6	6.2	**14.9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

15. PROVISIONS (CONTINUED)

ANNUITIES

On 1 February 2019 BDO Services Ltd, a Group entity, acquired certain trade and assets of Moore Stephens LLP. This included the acquisition of former partner annuities amounting to £6.9m. These annuities have been valued by Barnett Waddingham as at 1 July 2022. The remainder of the annuities totalling £0.2m (2021: £0.2m) relate to the former general partnership in the LLP and are for a fixed amount over a fixed period of time and therefore no actuarial assumptions are required. See note 18 for the accounting policy relating to post-employment benefits.

	1 July 2022	2 July 2021
Annuities	**%**	**%**
Key actuarial assumptions:		
Discount rate	**3.5**	1.8
Rate of inflation	**3.5**	3.5

The underlying mortality assumptions is based upon the S3PA_M mortality base tables with future improvements in line with CMI2021 projection tables subject to a long-term rate of improvement of 1% p.a.

	1 July 2022	2 July 2021
Male currently aged 65	**22.2**	22.7
Male currently aged 70	**17.0**	18.3

	1 July 2022	2 July 2021
Remeasurement	**(£m)**	**(£m)**
Remeasurement – Experience loss/(gain) on liabilities	**0.2**	(0.4)
Remeasurement – Gains from changes to financial assumptions	**(0.9)**	(0.2)
Remeasurement – Gains from changes in demographic assumptions	**(0.3)**	-
Total remeasurement	**(1.0)**	(0.6)
Reconciliation of annuity obligation		
Obligation at the start of the period	**6.5**	7.5
Interest cost	**0.1**	0.1
Benefits paid	**(0.4)**	(0.5)
Remeasurement	**(1.0)**	(0.6)
Obligation at the end of the period	**5.2**	6.5
Sensitivities		
0.1% p.a. decrease in the discount rate	-	0.1
0.1% p.a. increase in the assumed rates of inflation	-	-
10% decrease in the assumed long-term rate of mortality improvements	0.2	0.3

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

15. PROVISIONS (CONTINUED)

PROFESSIONAL INDEMNITY

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

PROPERTY PROVISIONS

The property provisions are based on estimated future cash flows discounted to present value, with the amortisation of that discount presented in the income statement as a finance cost. The weighted average incremental borrowing rate (IBR) applied to new property provisions for the period ended 1 July 2022 was 1.6% (2021: 1.3%).

16. RELATED PARTY TRANSACTIONS

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

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

LLP	1 July 2022 (£m)	2 July 2021 (£m)
Income earned from subsidiaries	**58.7**	67.2
Purchases from subsidiaries	**(556.0)**	(507.9)
Finance income	**0.1**	0.3

The main trading subsidiary undertakings, BDO Services Ltd., BDO LLP Ltd. and BDO Regulatory Solutions Ltd., are managed by ten Directors who are also members of the BDO LLP Group. Each director received between £nil and £220,000 (2021: £20,000 and £220,000) in salary for their services. The largest entitlement to remuneration, was £220,000 (2021: £220,000). There were no management personnel compensation for any type of benefits. The total management compensation was £1.1m (2021: £1.1m).

17. CONTINGENT LIABILITIES

ACCOUNTING POLICY

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

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

CLAIMS AND REGULATORY PROCEEDINGS

Claims and regulatory proceeding are the area most likely to give rise to a contingent liability for the Group. There are no contingent liabilities in relation to this.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

18. PENSIONS

ACCOUNTING POLICY

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

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

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

Staff pension costs relating to the Group's defined contribution scheme and Group personal pension arrangements are charged to the income statement as they are incurred.

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

THE SCHEMES

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

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

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

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

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

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

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:

	1 July 2022 (£m)	2 July 2021 (£m)
Defined benefit obligation	**(86.4)**	(109.8)
Fair value of plan assets	**86.2**	101.0
Net defined benefit liability	**(0.2)**	(8.8)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

18. PENSIONS (CONTINUED)

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 1 July 2022 (2021: £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 1 July 2022. 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 (2021: £nil).

At 1 July 2022, the scheme was showing a net defined benefit asset of £0.6m (2021: net defined benefit liability of £3.5m).

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 2021 by Broadstone Pensions and Investments Limited.

BDO ES PENSION SCHEMES

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

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

At 1 July 2022 the schemes were showing a net defined benefit liability of £0.8m (2021: £5.3m).

There are no outstanding or prepaid contributions to these arrangements as at 1 July 2022 (2021: £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 1 July 2022.

During the period, the Group paid contributions of £1.1m (2021: £1.1m). In addition, the Group pays the costs of administering the Scheme. The most recent signed actuarial valuations, conducted under the new Scheme Funding Regulations (Pensions Act 2004), of the two BDO ES Schemes were carried out on 1 April 2020 by Broadstone and on 30 April 2019 (BDO ES (Manchester) Fund) by Aviva. The ongoing contribution levels were set at £1.1m and £0.1m per annum respectively.

DEFINED CONTRIBUTION ARRANGEMENT

In the period the Group paid £nil contributions (2021: £nil) to the DC section of the BDO Pension Scheme. There is no adjustment under IAS19 for this section of the scheme.

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

The underlying mortality assumption is based upon the S3PA_M mortality base tables with future improvements in line with CMI2021 projection tables subject to a long-term rate of improvement of 1% pa.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

18. PENSIONS (CONTINUED)

Key actuarial assumptions		1 July 2022	2 July 2021
Discount rate	%	**3.5**	1.8
Rate of inflation – RPI	%	**3.5**	3.5
Rate of inflation – CPI	%	**2.9**	2.9
Commutation – Percentage of pension	%	**20.0**	20.0
Life expectancies from age 65:			
Male currently aged 65	Years	**86.2**	86.7
Female currently aged 65	Years	**88.6**	89.1
Male currently aged 45	Years	**87.2**	87.7
Female currently aged 45	Years	**89.8**	90.2

Sensitivity analysis

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

Increase in net defined benefit liability	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
0.1% p.a. decrease in the discount rate	0.6	0.4	**1.0**
0.1% p.a. increase in the assumed rates of inflation	0.2	0.0	**0.2**
0.5% increase in the assumed long term rate of mortality improvements	0.6	0.3	**0.9**
2 July 2021			
0.1% p.a. decrease in the discount rate	0.9	0.5	**1.4**
0.1% p.a. increase in the assumed rates of inflation	0.2	0.1	**0.3**
0.5% increase in the assumed long term rate of mortality improvements	0.9	0.6	**1.5**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

18. PENSIONS (CONTINUED)

Reconciliation of funded status to statement of financial position	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
Defined benefit obligation	(52.6)	(33.8)	**(86.4)**
Fair value of plan assets	53.2	33.0	**86.2**
Net defined benefit liability	0.6	(0.8)	**(0.2)**
2 July 2021			
Defined benefit obligation	(67.1)	(42.7)	**(109.8)**
Fair value of plan assets	63.6	37.4	**101.0**
Net defined benefit liability	(3.5)	(5.3)	**(8.8)**

Reconciliation of defined benefit obligation over the period	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
Defined benefit obligation at the start of the period	(67.1)	(42.7)	**(109.8)**
Interest expense on defined benefit obligation	(1.2)	(0.7)	**(1.9)**
Remeasurement – experience adjustment loss	(0.5)	(0.1)	**(0.6)**
Remeasurement – changes in financial assumptions gain	12.9	7.5	**20.4**
Remeasurement – changes in demographic assumptions gain	0.8	0.5	**1.3**
Benefits paid	2.5	1.7	**4.2**
Defined benefit obligation at the end of the period	(52.6)	(33.8)	**(86.4)**
2 July 2021			
Defined benefit obligation at the start of the period	(71.3)	(45.7)	**(117.0)**
Interest expense on defined benefit obligation	(1.0)	(0.6)	**(1.6)**
Past service cost	-	(0.1)	**(0.1)**
Remeasurement – experience adjustment gain	0.2	0.4	**0.6**
Remeasurement – changes in financial assumptions gain	2.8	1.6	**4.4**
Benefits paid	2.2	1.7	**3.9**
Defined benefit obligation at the end of the period	(67.1)	(42.7)	**(109.8)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

18. PENSIONS (CONTINUED)

Assets	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
Equities and property	2.7	2.0	**4.7**
Bonds	26.3	21.1	**47.4**
Multi-asset	2.9	0.8	**3.7**
Diversified funds	9.8	4.4	**14.2**
Liability driven investment	8.1	2.0	**10.1**
Other assets	0.4	0.7	**1.1**
Annuity policies	3.0	2.0	**5.0**
	53.2	33.0	**86.2**
2 July 2021			
Equities and property	10.4	6.7	**17.1**
Bonds	8.5	5.8	**14.3**
Multi-asset	8.6	3.9	**12.5**
Diversified funds	17.2	9.3	**26.5**
Liability driven investment	15.2	8.7	**23.9**
Other assets	0.2	0.6	**0.8**
Annuity policies	3.5	2.4	**5.9**
	63.6	37.4	**101.0**

Reconciliation of fair value of plan assets over the period	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
Fair value of plan assets at the start of the period	63.6	37.4	**101.0**
Interest income on plan assets	1.1	0.7	**1.8**
Remeasurement – return on plan assets excluding interest income	(9.0)	(4.5)	**(13.5)**
Contributions by the employer	-	1.1	**1.1**
Benefits paid	(2.5)	(1.7)	**(4.2)**
Fair value of plan assets at the end of the period	53.2	33.0	**86.2**
Return on plan assets	(7.9)	(3.8)	**(11.7)**
2 July 2021			
Fair value of plan assets at the start of the period	64.2	35.9	**100.1**
Interest income on plan assets	0.9	0.5	**1.4**
Remeasurement – return on plan assets excluding interest income	0.7	1.6	**2.3**
Contributions by the employer	-	1.1	**1.1**
Benefits paid	(2.2)	(1.7)	**(3.9)**
Fair value of plan assets at the end of the period	63.6	37.4	**101.0**
Return on plan assets	1.6	2.1	**3.7**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

18. PENSIONS (CONTINUED)

Reconciliation of funded position	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
Net defined benefit liability at start of period	(3.5)	(5.3)	**(8.8)**
Expense recognised in income statement	-	(0.1)	**(0.1)**
Profit recognised in statement of comprehensive income	4.1	3.5	**7.6**
Contributions by the employer	-	1.1	**1.1**
Net defined benefit liability at end of period	0.6	(0.8)	**(0.2)**
2 July 2021			
Net defined benefit liability at start of period	(7.1)	(9.8)	**(16.9)**
Expense recognised in income statement	(0.1)	(0.2)	**(0.3)**
Profit recognised in statement of comprehensive income	3.7	3.6	**7.3**
Contributions by the employer	-	1.1	**1.1**
Net defined benefit liability at end of period	(3.5)	(5.3)	**(8.8)**

Analysis of charge to income statement	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
Net interest expense on net defined benefit liability	-	(0.1)	**(0.1)**
	-	(0.1)	**(0.1)**
2 July 2021			
Past service cost	-	(0.1)	**(0.1)**
Net interest expense on net defined benefit liability	(0.1)	(0.1)	**(0.2)**
	(0.1)	(0.2)	**(0.3)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

18. PENSIONS (CONTINUED)

Remeasurements recognised in statement of comprehensive income	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
1 July 2022			
Remeasurement – experience adjustments loss	(0.5)	(0.1)	**(0.6)**
Remeasurement – changes in financial assumptions gain	12.8	7.6	**20.4**
Remeasurement – changes in demographic assumptions gain	0.8	0.5	**1.3**
Remeasurement – return on plan assets excl. interest income loss	(9.0)	(4.5)	**(13.5)**
Total gain recognised in statement of comprehensive income	4.1	3.5	7.6
2 July 2021			
Remeasurement – experience adjustments gain	0.2	0.4	**0.6**
Remeasurement – changes in financial assumptions gain	2.8	1.6	**4.4**
Remeasurement – return on plan assets excl. interest income gain	0.7	1.6	**2.3**
Total loss recognised in statement of comprehensive income	3.7	3.6	**7.3**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

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

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

CAPITAL RISK

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

CREDIT RISK

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

INTEREST RATE RISK

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

FOREIGN EXCHANGE RISK

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

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 1 July 2022 totalled £100m (2021: £85m). The Group facilities were increased to £100m and extended in September 2021 with three leading banks, expiring in October 2024. In June 2022 this was extended for one-year now expiring in October 2025. One further one-year extension option remains.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

19. FINANCIAL INSTRUMENTS – RISK MANAGEMENT (CONTINUED)

Contractual maturities of liabilities	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total contractual cash flows (£m)	Carrying amount (£m)
Group					
At 1 July 2022					
Trade and other payables	53.7	-	-	**53.7**	**53.7**
Amounts due to former members	10.3	2.9	-	**13.2**	**13.2**
Lease liabilities	20.8	76.7	10.8	**108.3**	**103.3**
Members' capital	-	-	1.4	**1.4**	**1.4**
Amounts due to members	-	206.1	-	**206.1**	**206.1**
	84.8	285.7	12.2	**382.7**	**377.7**
At 2 July 2021					
Trade and other payables	52.9	-	-	**52.9**	**52.9**
Bank loans	33.0	5.3	-	**38.3**	**38.3**
Amounts due to former members	9.1	3.8	-	**12.9**	**12.9**
Lease liabilities	21.5	75.7	27.5	**124.7**	**117.3**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	184.5	-	**184.5**	**184.5**
	116.5	269.3	28.8	**414.6**	**407.2**

Contractual maturities of liabilities	Within one year (£m)	Between 2 and 5 years (£m)	Over 5 years (£m)	Total contractual cash flows (£m)	Carrying amount (£m)
LLP					
At 1 July 2022					
Trade and other payables	27.9	-	-	**27.9**	**27.9**
Amounts due to former members	10.3	2.9	-	**13.2**	**13.2**
Lease liabilities	16.1	58.7	3.3	**78.1**	**75.0**
Members' capital	-	-	1.4	**1.4**	**1.4**
Amounts due to members	-	206.1	-	**206.1**	**206.1**
	54.3	267.7	4.7	**326.7**	**323.6**
At 2 July 2021					
Trade and other payables	19.0	-	-	**19.0**	**19.0**
Bank loans	30.0	-	-	**30.0**	**30.0**
Amounts due to former members	9.1	3.8	-	**12.9**	**12.9**
Lease liabilities	16.3	59.7	17.7	**93.7**	**89.2**
Members' capital	-	-	1.3	**1.3**	**1.3**
Amounts due to members	-	184.5	-	**184.5**	**184.5**
	74.4	248.0	19.0	**341.4**	**336.9**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

20. BORROWINGS

The table below details the changes in 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 to current and former members (£m)
At 3 July 2020	8.3	63.0	140.7	1.3	173.7
Transfers	(3.0)	3.0	-	-	-
Repayment of borrowings	-	(33.0)	-	-	-
Capital contributions by members	-	-	-	-	6.0
Capital repayments to members	-	-	-	-	(4.8)
Lease liability paid	-	-	(25.0)	-	-
Payment to former members	-	-	-	-	(4.6)
Payment to members	-	-	-	-	(155.7)
Net interest paid	-	(0.9)	(2.0)	-	-
Other non-cash movements*	-	0.9	3.6	-	182.8
At 2 July 2021	5.3	33.0	117.3	1.3	197.4
Repayment of borrowings	(5.3)	(33.0)	-	-	-
Capital contributions by members	-	-	-	0.2	8.9
Capital repayments to members	-	-	-	(0.1)	(4.7)
Lease liability paid	-	-	(19.0)	-	-
Payment to former members	-	-	-	-	(9.9)
Payment to members	-	-	-	-	(162.7)
Net interest paid	-	(0.3)	(1.9)	-	-
Other non-cash movements*	-	0.3	6.9	-	190.3
At 1 July 2022	**-**	**-**	**103.3**	**1.4**	**219.3**

LLP	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due to current and former members (£m)
At 3 July 2020	40.0	108.3	1.3	173.7
Repayment of borrowings	(10.0)	-	-	-
Capital contributions by members	-	-	-	6.0
Capital repayments to members	-	-	-	(4.8)
Lease liability paid	-	(18.9)	-	-
Payment to former members	-	-	-	(4.6)
Payment to members	-	-	-	(154.6)
Net interest paid	(0.8)	(1.5)	-	-
Other non-cash movements*	0.8	1.3	-	181.7
At 2 July 2021	30.0	89.2	1.3	197.4
Repayment of borrowings	(30.0)	-	-	-
Capital contributions by members	-	-	0.2	8.9
Capital repayments to members	-	-	(0.1)	(4.7)
Lease liability paid	-	(14.9)	-	-
Payment to former members	-	-	-	(9.9)
Payment to members	-	-	-	(162.3)
Net interest paid	(0.3)	(1.3)	-	-
Other non-cash movements*	0.3	2.0	-	189.9
At 1 July 2022	**-**	**75.0**	**1.4**	**219.3**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 1 JULY 2022 (CONTINUED)

21. DEFERRED TAX

Group	1 July 2022 (£m)	2 July 2021 (£m)
Balance of deferred tax assets/(liabilities) at end of period	**(1.3)**	0.8

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At 1 July 2022, deferred tax assets comprise temporary differences between the tax base and the carrying value on capital allowances and depreciation.

Deferred tax is measured at the tax rates that are substantively enacted at the reporting date and expected to apply in the periods in which the temporary differences reverse. It is measured using a tax rate of 25% for the period to 1 July 2022 (2021: 25%).

There was no deferred tax arising in the LLP for the year to 1 July 2022 (2021: £nil).

22. POST BALANCE SHEET EVENTS

No post balance sheet events that would materially affect the 2022 financial year have occurred up to the date of signing the annual report.

FOR MORE INFORMATION:

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