Annual Report

52 weeks ended 30 June 2023

Members' report and Group and LLP financial statements
registered number: OC305127

Annual Report

Contents

Registered office: 55 Baker Street, London, W1U 7EU

Registered number: OC305127

Independent auditors: PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, 1 Embankment Place, London, WC2N 6RH.

Foreword

I am pleased to present the Members' Report together with the Audited Consolidated Financial Statements of BDO LLP, for the 52 weeks ended 30 June 2023.

Introduction

Every year, I have the privilege of writing the foreword to our annual report and I use it as an opportunity to take stock of events both inside and outside of BDO.

Undoubtedly, the world, in which we live and do business in, continues to face formidable challenges.

In the UK, households are enduring a cost-of-living crisis caused by persistent and broadening inflationary pressures and there is uncertainty in domestic politics. On a global level, we are seeing the spread of international conflicts as well as the growing spectre of irreversible climate change.

The humanitarian and financial consequences of these events have led to a profoundly difficult environment globally. As a vital hub for international capital and business and with its global focus, the UK is facing financial and societal headwinds as a result. It is, understandably, a time of anxiety for many people.

Thinking, or hoping, that we are going through a short period of disruption before a grateful return to a world of reliable predictability is, unfortunately, optimistic. Instead, the world – and its major institutions - must adapt to be able to survive and then to flourish.

Amid the disruption, however, there is some cause for optimism. Last year's energy spikes have accelerated investment in low carbon alternatives, technological developments show signs of a new phase of disruption with AI tools emerging which are pointing towards being transformational, and many business sectors are proving resilient with private equity funds, in particular, having a lot of money that they cannot leave undrawn. These changes will bring opportunities.

Paul Eagland
Managing Partner

Foreword
(continued)

Our business performance

At a time of great change and challenge, individuals and businesses turn to their trusted advisers to guide them. Given our expertise and position in the market, I'm pleased to report that businesses continue to come to us for our help and advice, enabling us to post a positive set of financial results.

Our market heartland of mid-sized entrepreneurial businesses has performed well this year. The resilience and strong growth of these businesses – which we call the UK economic engine - has enabled us to increase revenues and, in turn, reinvest significantly in our firm. Our people enjoy working with this fast-paced and entrepreneurially-spirited segment of the economy; I would like to put on record my thanks to these businesses for continuing to work with us.

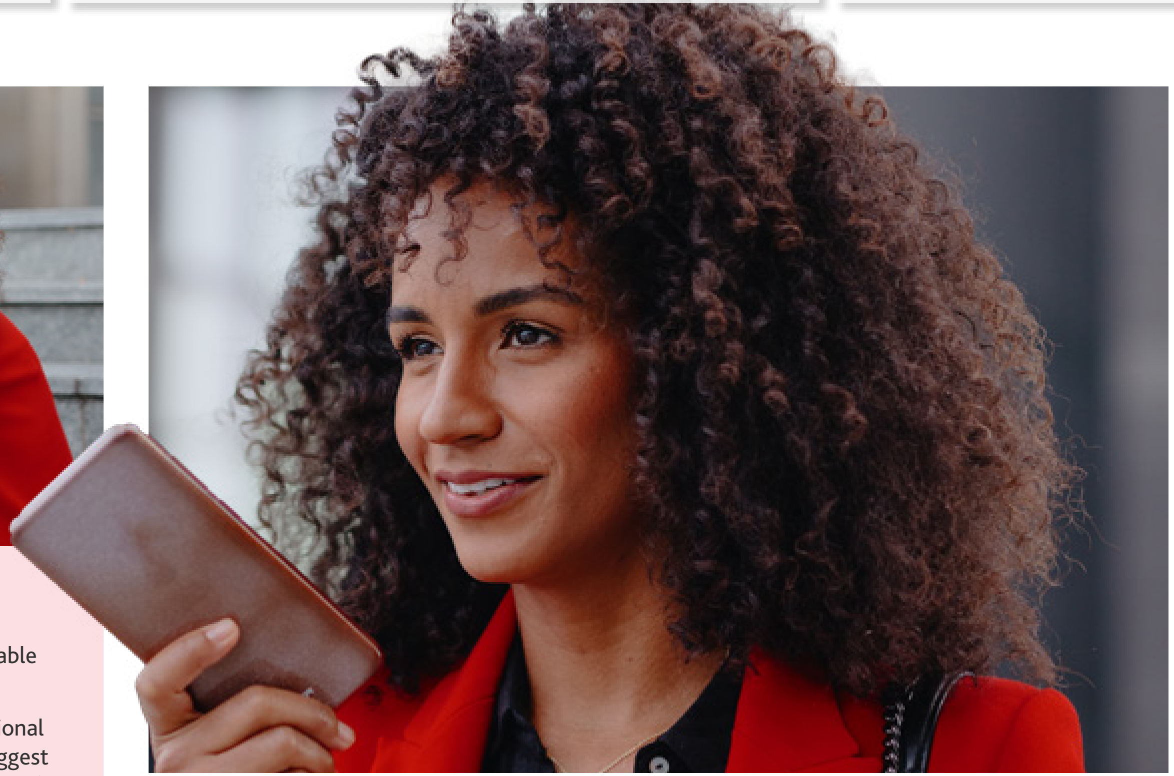
The success of our market heartland has enabled us to post a 16% increase in revenues totalling £935m. As we near the milestone of becoming a £1bn revenue business, I like to reflect on what has been an incredible growth journey for BDO over the last ten years. We have trebled our revenues in the last decade from circa £300m to more than £900m; a fantastic result especially given the uncertain economic backdrop during that period.

With this growth comes the need to invest to ensure BDO's future is sustainable and built on firm foundations.

We are proud to have invested an additional £120m back into BDO this year – the biggest additional annual investment made in BDO's 100-year history - which will support growth and quality into the future. This level of additional investment has meant that BDO profits have not kept pace with revenue but still rose by 5% to £198m.

BDO's top priority continues to be to improve quality within the firm by investing in more skilled people, processes and technology. This year, we invested an additional £8m in the central audit quality team and recruited an additional 300 people in audit alone.

In addition, we took on a further 500 new people, creating skilled jobs across the UK and building a business of 7,500 people. We also promoted more than 3,000 people within the business, demonstrating that we are true to our word about developing careers and retaining talent.

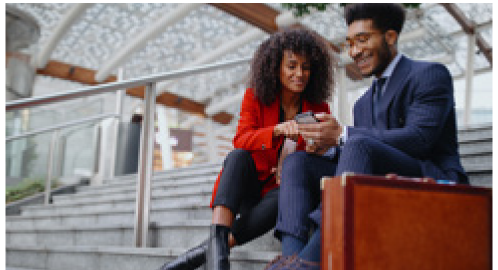


BDO Labs – a team within BDO accelerating the development and usage of digital products, services and technologies across the firm – has conducted 200 experiments in the last year resulting in 12 new digital products.

In total, BDO Labs has saved the firm approximately 70,000 person-hours and £2.8m.

Putting more resources into technology and innovation is also part of our approach to improving quality and efficiencies within the firm. BDO Labs - a team within BDO accelerating the development and usage of digital products, services and technologies across the firm – has conducted 200 experiments in the last year resulting in 12 new digital products. In total, BDO Labs has saved the firm approximately 70,000 person-hours and £2.8m.

Reducing workloads and investing in people and processes are vital steps in continuing to improve quality.



I would encourage you to read our Transparency Report https://www.bdo.co.uk/getmedia/2d2fedc5-468a-4b58-8e9e-b6880597dcd5/Transparency-Report-2022-23.pdf which sets out the more detailed reasons as to why we believe that our strategy of continuing to improve quality is fundamental to us fulfilling our vital role in serving the public interest, as well as how we are making those improvements, supported by our biggest investments in our history.

Our second focus for additional investment this year was in future high-growth areas for the firm, specifically in ESG advisory and digital risk advisory which we know will generate substantial growth in the years ahead.

Our own ESG investments have continued throughout the year too, including the publication of our Net-Zero roadmap, which has now been validated by the SBTi.

This level of additional investment was made possible by the strong performance of all three areas of our business – audit, tax and advisory.

The audit business posted revenues of £400m, up 24% on the previous year. BDO's sector understanding and our expertise in the AIM market all contributed to the rise in revenue. In addition, the dynamics of the audit market continue to create significant demand for our services and the stream reports a strong pipeline for new work. We continue to audit the most, by number, listed businesses in the UK and are proud of that record.

Foreword (continued)

Our business performance (continued)

Audit continues to be a high growth area for the business. That said, we are discerning about the work we take on in this area and will not be 'chasing' growth at all costs. Last year, BDO declined the opportunity to tender or resigned from nearly £140m worth of audit fees. We remain determined to improve our audit quality scores to meet the standards expected by our regulator, the FRC, and will do so through investment in people, in skills and through controlling our growth.

The tax business generated revenues of £225m reporting growth of 13% with tax compliance, private client and risk advisory services in high demand.

BDO's advisory revenues grew by 8% to £310m with our digital risk and financial services advisory teams achieving particularly strong growth. We see advisory as a key area of growth in the years ahead which is why we are investing in new services and bolstering our expertise in this area.

These revenue numbers tell a story of a successful firm with skills which are in demand. They also represent a huge amount of hard work from our people and I would like to thank them for their energy and tenacity which led to another successful year.

Of course, our people do much more than ensure the financial success of BDO. Their contribution to BDO's welcoming, productive and exciting culture never ceases to amaze me.

I am a firm believer in the culture of an organisation being at the heart of success. In this regard, please read our Culture and Impact Report https://www.bdo.co.uk/getmedia/8760c0a0-a95d-4249-acc3-446308fd7e21/BDO-Culture-and-Impact-Report-2023.pdf which tells the individual stories of those who are the essence of this firm. Whether it's by being a part of one of our faith or support networks, providing charitable support through our ten additional citizenship days or the people prioritising the mental health and wellbeing of others, these stories inspire me and remind me why life at BDO is special.

The future

As I look ahead to the future, I firmly believe that the financial strength of our firm, our focus on independence, quality and ethics, and our brilliant people have put us in a great position.

We have a strong balance sheet which has enabled us to invest heavily in the business over the years. The challenge now is for us to convert that investment into additional profitable and sustainable growth for the medium and long term.

As the uncertainty around the UK and global economy continues, we will not be complacent. That said, we know we are investing in the right areas; we have the right skills, the right people and the right mindset to support our market heartland of mid-sized businesses in the years ahead. The last decade has seen incredible growth for us and I'm confident that we are laying the right additional foundations for our future success.

Members' Report

For the 52 weeks ended 30 June 2023

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 and audited entities. 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 and audited entities. 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 30 June 2023 is set out on page 24. The comparative period is for the 52 weeks ended 1 July 2022.

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, Christopher Grove, Matthew White, Simon Gallagher, Andrew Butterworth, Stuart Collins, Anna Draper and Kaley Crossthwaite.

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.

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 and a variable third tranche (that may be awarded for exceptional performance or severance payments).

On 30 June 2022 a new members agreement became effective, impacting how the profits of the LLP are divided. From this date, all profit for the financial year (after making equitable adjustments) is divided automatically.

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.

As a result of the revised members agreement affecting the period, all profits divided to members are now shown as members' remuneration charged as an expense. Further detail can be found in the consolidated statement of changes in equity and members' interests which can be found on page 27.

Retention of 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 loans and borrowings.

Members' Report

For the 52 weeks ended 30 June 2023 (continued)

Drawings

The policy for members' drawings is to distribute the appropriate amount of profit during the financial year, 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.

Tax strategy

BDO complies with its duty under paragraph 16(2) and 25(1) of schedule 19 Finance Act 2016 through the publication of this tax strategy within its' annual report. This strategy applies to BDO LLP and the following UK subsidiary entities:

- BDO LLP Ltd
- BDO Services Ltd
- BDO Employment Services Ltd
- BDO Holdings Ltd
- BDO Nominees Ltd
- BDO IFI Services Ltd
- New Garden House Pension Trustees Ltd
- BDO Regulatory Solutions Ltd
- BDO Trustees Ltd
- The Client Trustee Company Ltd
- TBW Trustees Ltd
- BDO Pension Trustees Ltd
- BDO Pension Trustees No. 2 Ltd
- BDO Trustees (MS) Ltd
- Snow Hill Trustees Ltd
- Clinton Avenue Properties Ltd (prior to its dissolution on 1 September 2023)

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

The tax strategy is effective for the period ending 5 July 2024 or until superseded. We operate as a UK Limited Liability Partnership with a number of wholly owned subsidiaries. The capital of BDO LLP is contributed by its members who consist of individuals.

Approval of strategy

This tax strategy has been approved by our Leadership Team, as part of the approval of BDO LLP's annual accounts, and is in line with our overall strategy and operations.

Management of UK tax risks

Our Leadership Team is responsible for our tax strategy. They have established a Tax Strategy Board, which consists of three senior tax individuals and three senior finance individuals, including our Head of Tax and our Finance Partner respectively, who are responsible for its implementation. Our Head of Tax chairs our Tax Strategy Board and reports directly to our Leadership Team. Our Head of Tax is responsible for preparing our tax strategy.

Identified tax risks are assessed and managed through our day to day tax operational framework and escalated to our Leadership Team as appropriate. The Leadership Team seek to reduce or eliminate any such identified tax risks wherever this is possible and are committed to ensuring we are fully compliant with all our statutory obligations. We aim to file our tax returns on or before their due dates and pay all our tax liabilities on time.

Tax planning

We will always undertake tax planning/structuring based on sound commercial principles in accordance with the requirements of relevant tax legislation.

This includes utilising tax reliefs and incentives as intended by Parliament.

Working with HMRC

We seek to maintain an open, honest and positive relationship with HMRC and we will always operate on the basis of full disclosure. We have regular correspondence with our HMRC Customer Compliance Manager.

Other relevant information relating to tax

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

Members' Report

For the 52 weeks ended 30 June 2023 (continued)

Going concern

The Group has continued to demonstrate robust performance over the year despite a challenging macroeconomic climate. The Leadership Team have carefully reviewed current results and prepared detailed trading and cash flow forecasts through to June 2025 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 2024 financial year. In this scenario, BDO is able to continue to trade in a similar fashion to that reported for the 2023 financial year.
- A downside case which sees a 10% reduction against budget in demand for services offered by the Group which continues until June 2025.
- A severe downside case which incorporates a 20% reduction against budget in revenue representing a difficult trading environment also continuing until June 2025.

Liquidity is maintained under all three modelled scenarios through the period to June 2025. The Group facilities of £100m were extended through to October 2026 during the year.

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and limited liability partnership will continue in business.

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

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

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

On behalf of the Leadership Team

PAUL EAGLAND
Managing Partner

17 October 2023

Energy and carbon report

For the 52 weeks ended 30 June 2023

Introduction

Regulatory compliance

For the 52 weeks ended 30 June 2023, BDO has prepared our Energy and Carbon Report in compliance with the requirements of the Limited Liability Partnerships (Accounts and Audit) Regulations 2008 (the 'LLP Regulations'). We will continue to develop our governance approach, build our understanding, and integrate climate into our strategic thinking and ways of working.

Message from our sustainability and ESG board co-chairs

The 2022/23 financial year marks the first year that we are sharing how we consider climate risk and opportunity in our business strategy, and the steps we are taking to manage uncertainties around the transition to a low carbon world.

In this first report, we outline action we have taken in four areas:

- updating our governance framework
- setting our organisation metrics and targets as part of our roadmap to Net-Zero
- refining how we think about risks and risk management as they relate to climate, and
- recruiting skilled resource to take us further on our journey.

While fully compliant with the LLP Regulations, BDO intends to exceed the requirements of the LLP Regulations and fully comply with the Taskforce on Climate-Related Financial Disclosures (TCFD) reporting requirements over time.

Looking beyond this year, we see this report as a starting point from which we can continually improve our alignment to TCFD's recommendations. For each of the four TCFD pillars (governance, strategy, risk management, and metrics and targets), we provide a status update, and we share our view of next steps and priorities.

As Co-chairs of the BDO Sustainability and ESG board, we look forward to updating stakeholders on our progress in our 2023/24 annual report.

Matthew White

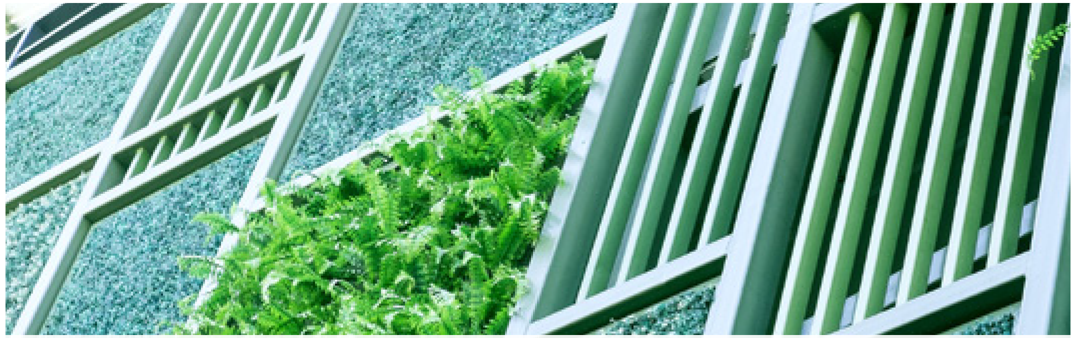
Senior Partner,
Co-Chair

Nicola Lally

Partner,
Co-Chair

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)



Governance

Overview of our governance structure

The Firm's most senior governing body is the Partnership Council (PC) which has ultimate oversight of the assessment of climate-related risks and opportunities and for the successful implementation of the ESG strategy.

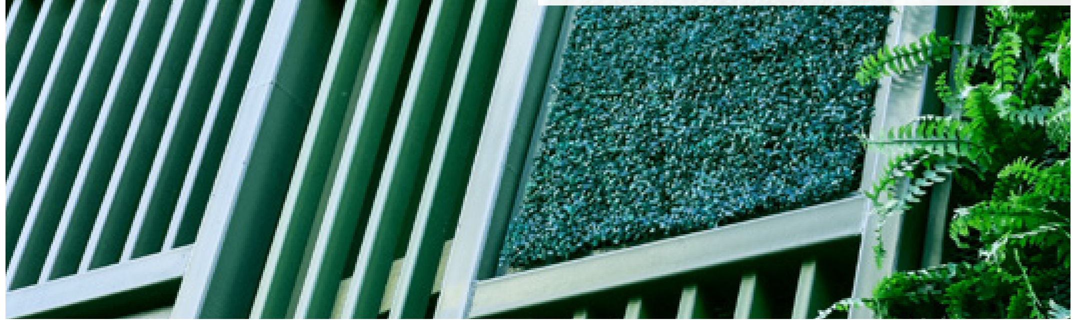
The PC has established two branches of control: The Leadership Team (LT) with executive powers, and the Audit Committee (AC), as a sub-committee of PC, with a focus on statutory compliance and audit. More information about our governance structure can be found in our Transparency Report.

Executive decision-making on climate

The LT is accountable to the PC for developing and driving the long-term, sustainable strategy of the Firm as well as reporting on regulatory requirements. This includes decision-making authority on climate risks and opportunities.

The highest level of individual with executive responsibility for climate-related issues is our Chief Executive Officer (CEO), known as our Managing Partner.

Our Senior Partner takes a role on a number of our sustainability-focused governance bodies, providing the insight and oversight to support and challenge the Leadership Team on climate issues. The Senior Partner also has a seat on the BDO Global Network's Sustainability Board, creating links, network and influence amongst our global network of firms.



Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Governance (continued)

Climate in our operations

The LT has delegated responsibility for implementation of our ESG strategy to the Operations Board, which in turn has established a Decarbonisation Steering Committee to drive progress to meet our science-based and Net-Zero targets, aligned to and validated by SBTi.

The Firm's Decarbonisation Programme has been established this year as a Top 10 programme sponsored by our Operations Board and therefore has visibility at the most senior levels of the Firm. The Decarbonisation Steering Committee, led by our Finance Partner and attended by our Senior Partner, meets monthly and reports to the Operations Board and Quality and Risk Executive (Q&R Executive), formerly known as our Quality and Risk Management Committee, at least six-monthly on progress against agreed objectives. It reports to the LT and PC at least once a year. You can find out more about our progress validating and delivering against our science-based Net-Zero targets in both our annual Environment Report and Culture and Impact Report.

In 2023, as we focussed more on climate in our operations, we recruited a senior-level position, the Sustainability and ESG Leader. This role reports to the Finance Partner, chairs our Decarbonisation Programme Delivery Group and sits on the LT advisory group, the Sustainability and ESG Board.

You can find out more about how we plan to develop our wider ESG strategy in both our Transparency Report and our Culture and Impact Report.

To support our progress towards full TCFD compliance, we have this year established a working group as a sub-group of the Q&R Executive, the Climate Risk Working Group. This group is now meeting quarterly to ensure we deliver on the future actions outlined in this report.

Management of risks associated with climate sits with our Q&R Executive where it is integrated in our top risks.

Climate in our market offering

We have been delivering assurance around our clients' carbon emissions measurement for a number of years. Over the last four years, this has developed into a wider service also focusing on climate and ESG risks and opportunities.

In FY23, we established our Sustainability and ESG Advisory Hub which is responsible for developing our commercial and go to market strategies on climate and environmental matters across our business streams. The Sustainability and ESG Advisory Hub reports into the Advisory Stream Executive which, in turn, reports to the LT.

You can find out more about how we plan to build our Sustainability and ESG offering in our Transparency Report.

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Governance (continued)

Advice and support on climate

In 2021, we established our Sustainability and ESG Board to bring together a firm-wide group that is able to advise on long-term Sustainability and ESG issues. The Board is jointly chaired by our Senior Partner and our Partner with responsibility for Communications and Corporate Affairs. This is an LT advisory body with a remit to explore issues across the spectrum of Environment, Social and Governance and make recommendations to senior leadership teams on strategic and long-term issues on our horizon. For example, this body has supported our decarbonisation journey and our long-term approach to carbon offsetting. This body has and will continue to be a consultee and an adviser in our progress towards full alignment with the TCFD recommendations.

Oversight of progress on climate

The Firm's governance framework tasks the PC and AC with independent oversight of our activities. Implicit in this is oversight of climate-related risks and opportunities, compliance with Net-Zero targets, and meeting any regulatory requirements, including reporting.

The PC oversees the Firm's management activities to ensure they align to its purpose, values, and strategic framework and, in doing so, it holds the LT to account, including in relation to the Firm's ESG objectives and management of climate risks and opportunities. It is chaired by the Senior Partner and has 12 elected members, all of whom are equity partners.

The AC is responsible for independent oversight of the Firm's financial and non-financial reporting in the annual report, interaction with the external auditors and oversight of the Firm's internal audit function. These responsibilities include assessing the adequacy of the Firm's Streamlined Energy and Carbon Reporting (SECR) as well as regulatory compliance with climate risk reporting under the LLP Regulations. As we build our climate data gathering capability further and develop more quantitative approaches to our Climate Scenario Analysis, this committee will be able to provide increased check and challenge based on greater transparency around progress.

Looking beyond

We recognise the need to focus on three key areas over the coming year to strengthen our compliance with the recommendations in the TCFD Governance pillar:

1. **Process and transparency.** Being more specific about how we factor climate impacts into our decision-making. This will include explicit climate-related responsibilities in role descriptions across all of our governance bodies; a threshold beyond which capital or operating expenditure must include a climate risk analysis and; our newly formed Climate Risk Working Group advising and delivering on a climate-risk action plan

2. **Capability building.** This will include upskilling members of our LT, the PC and the AC in a broad spectrum of aspects relating to climate including but not limited to understanding carbon accounting and GHG emissions, principles of carbon offsetting and communicating around climate

3. **Insight and intelligence.** We will ensure decision-useful climate information is shared with our governance bodies in a consistent, comprehensive, and accurate manner. For example, quarterly updates on our business travel emissions data.

Energy and carbon report

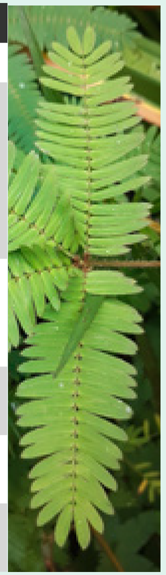
For the 52 weeks ended 30 June 2023 (continued)

Governance (continued)

The section below includes extracts of our governance bodies and structure.

Goverance bodies

Body	Chair	Meeting frequency	Role	Reports to
Partnership Council	Matthew White, Senior Partner	Monthly	Oversight	n/a
Leadership Team	Paul Eagland, Managing Partner	At least monthly	Executive	Partnership Council
Audit Committee	Nick Carter-Pegg, Partner	Quarterly	Independent oversight	Partnership Council
Business Interest and Oversight Board	Matthew White, Senior Partner	At least every two months	Independent oversight	Partnership Council
Operations Board	Andrew Butterworth, COO	Monthly	Executive	Leadership Team
Quality and Risk Executive	Kaley Crossthwaite, Head of QRM	Monthly	Risk management	Leadership Team
Decarbonisation Steering Committee	Stuart Collins, CFO	Monthly	Executive	Operations Board
Climate Risk Working Group	Michelle Carroll, Partner	Quarterly	Risk management	Quality and Risk Executive
Sustainability and ESG Board	Matthew White, Senior Partner Nicola Lally, Partner	Monthly	Advisory	Partnership Council & Leadership Team



Details of our full governance structure can be found in the governance section of our Transparency Report.

Governance structure

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Strategy

We understand that climate change will impact our ability to create and protect value over time, due to both the transitional and physical risks and opportunities that it presents. Climate has informed our overall strategy in 2022 and 2023: broadly, we see market opportunities in helping our clients and audited entities succeed in a changing world, and we see financial and non-financial risks and opportunities resulting from our ability to anticipate and manage operational change and disruption. We understand the interdependencies between our operational and business teams and the need to make coordinated progress.

To date, we have taken strategic decisions based on market intelligence, for example investing in expertise in our market-facing and operational teams. We are moving to more systematic ways to determine where risks and opportunities lie over time horizons and in different warming pathways.

Planning terms

The planning horizons to address climate risk differ from usual business/operational risks due to the significant time periods involved. When considering climate risks and opportunities, BDO currently plans using the following time horizons.

- **Short-term: two years.** The Firm's current five-year strategy concludes at the end of the 2024/25 financial year giving us a sensible short-term planning period of two years.
- **Medium-term: 2025 - 2030.** After the current planning phase, the next five-year strategy will run from the 2025/26 financial year to 2029/30 giving us a sensible medium-term planning period. This period aligns well with our near-term science-based targets, recently validated by the Science-based Target Initiative, to which many of our decarbonisation metrics are tied.
- **Long-term 2030 - 2050.** The period from the end of the 2029/30 financial year is considered as our long-term planning horizon and aligns well with our net-zero target date of 2050.

On page 14 we provide a high-level assessment of how we see climate risk and opportunity impacting our business over these time horizons.

Climate modelling and scenario planning

In November 2022, BDO submitted its science-based Net-Zero targets to the Science-Based Targets Initiative. Supported by an independent, external team of climate experts, a series of models were developed to forecast how our current strategy, operating model and ways of working would impact our ability to decarbonise our business. As a result of this planning, we have started to develop a detailed business transformation programme - referred to as our Net-Zero Transition Plan, which is aligned to the GFANZ transition plan model and the Transition Plan Taskforce recommendations.

The transformation will impact our policies, practices, and codes of conduct around how we work, how we travel and how we buy and procure products and services. Our Decarbonisation and Net-Zero Programme is led by our Finance Partner, acknowledging the need to understand the short-medium and long-term financial investment decisions that will need to be made in areas such as property and facilities, procurement, and travel. We have used this Net-Zero modelling and Climate Scenario Analysis, in conjunction with our time horizons to set out how we view climate risk and opportunity.

Climate scenario analysis

BDO convened its Climate Risk Working Group to carry out high-level qualitative scenario planning against two different hypothetical futures. The scenarios were selected from pre-built options developed by the Network for Greening the Financial System (NGFS). These and other scenarios are available on their website at https://www.ngfs.net/ngfs-scenarios-portal/explore.

Scenario one overview

Net-Zero 2050 ("NZ50") is an ambitious scenario that limits global warming to 1.5 °C through stringent climate policies and innovation, reaching Net-Zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach Net-Zero for all greenhouse gases by this point.

This scenario assumes that ambitious climate policies are introduced immediately. Carbon Dioxide Removal (CDR) is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO_2 emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot (< 0.1 °C) of 1.5 °C in earlier years. Physical risks are relatively low, but transition risks are high.

Scenario two overview

Nationally Determined Contributions ("NDC") includes all pledged policies even if not yet implemented.

This scenario assumes that the moderate and heterogeneous climate ambition reflected in the conditional NDCs at the beginning of 2021 continues over the 21st century (low transition risks). Emissions decline but lead nonetheless to 2.6 °C of warming associated with moderate to severe physical risks. Transition risks are relatively low.

Variable	NZ50	NDC
Policy ambition (°C)	≤1.5	≤2.6
Policy reaction	Immediate and smooth	NDC's
Technology change	Fast	Slow
CDR	Medium-high	Low-Medium
Regional policy variation	Medium	Medium

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Strategy (continued)

Climate scenario analysis (continued)

The two chosen scenarios help us to explore how our business would be impacted by the transitional and physical impacts of climate change. We chose a 'Paris aligned' scenario (NZ50) as a vehicle to explore transition risk because we anticipate our most acute risks and opportunities lie in this rapid decarbonisation pathway. Looking through this lens allowed us to capture the majority of the risks and opportunities that we would face in a 'middle of the road' 2-degree scenario. We considered potential impacts on our UK Firm and our alignment with our BDO network firms as partners and suppliers of services to us.

This climate scenario analysis was conducted towards the end of our reporting period and therefore has not been instrumental in developing our organisation strategy or financial planning in this reporting year. Our thinking will be taken forward into the next reporting period.

Risks - NZ50 and NDC

Products and services risks

Impact on clients and audited entities. Demand for services could be impacted if our clients and audited entities:

1. operate in sectors significantly impacted by climate change targets, affecting the viability of their business models,
2. do not reach minimum required climate targets, impacting their ability to sell their products/services, and/or
3. do not believe BDO offers climate-related services they need, potentially resulting in these organisations seeking support and advice elsewhere.

Transition plan alignment. If BDO does not transition to Net-Zero in a way that aligns to the goals of our clients and audited entities, their willingness/ability to procure our services may be impacted. Similarly, if our suppliers are not able to meet our code of conduct on climate action, there is a risk that our transition plan could pose disruption to our business operations.

Financial cost of Net-Zero strategy. The additional cost of procuring lower emission-intensive goods and services may have a significant impact on operating costs (e.g., cost of carbon offset or increased costs for low-emission property). If BDO does not plan appropriately or far enough in advance, there may be higher operating costs in the longer run, particularly in a scenario where we are subject to a regulated carbon market.

Reputation Risks

Conflicting ESG targets. Small and/or local businesses may be less able to adopt adequate climate change goals due to challenges with suitable scale. BDO is committed to supplier diversity, supporting small/local businesses, as well as setting a clear Net-Zero agenda. Prioritising conflicting targets may present a challenge.

Attracting and retaining talent and accessing capital. Our employees, partners, and service providers are increasingly environmentally conscious. If our organisational goals do not align with those of our teams/suppliers, we may fail to attract and retain the right people and may struggle to procure services and access capital.

Opportunities - NZ50 and NDC

Products and services opportunities

Impact on clients and audited entities. Clients and audited entities operating in sectors that benefit from the increased focus on climate change targets may expand and require additional support from BDO. BDO has an opportunity to develop service offerings in ESG-aligned areas, growing our client and audited entity base and increasing revenue.

Operating costs. Through energy efficiency measures, and a successful transition to focus more on virtual relationships with clients and audited entities, costs associated with work and business travel may reduce. Ongoing costs of less emission-intensive goods and services may reduce annual operating costs.

Reputation opportunities

Brand. BDO's net-zero targets may have a positive impact on reputation, allowing us to recruit and retain the right people, as well as attracting new clients and audited entities to the Firm.

Risks - NDC

Products and services

Productivity. In more extreme climate change scenarios BDO employees and partners may, for variable lengths of time, be unable to work both at home and from an office due to acute physical disruption. In these cases, there may be a cost relating to productivity. BDO also utilises significant amounts of offshore resource in multiple countries around the world. Climate-driven disruption in all these areas could materially impact the operations of the Firm.

There may be a higher cost of buildings insurance potentially exposing the Firm to greater liability and reducing the ability of our teams to work and collaborate in our offices.

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Strategy (continued)

Impact assessment

Our Climate Risk Working Group has completed a qualitative impact assessment for each of the risks and opportunities in both scenarios outlined above.

Based on the assessment of the inherent risk (i.e., before the impact of any mitigating actions), these risks and opportunities have been classified as either 'higher' or 'lower' risk/opportunity.

This qualitative assessment is based on what our Climate Risk Working Group consider may be the most likely impact in each scenario and is intended to demonstrate how the potential impact of risks and opportunities is expected to change over time

Risks	Lower impact	Green
Opportunities	Higher impact	Green
Risks	Moderate impact	Amber
Opportunities	Moderate impact	Amber
Risks	Higher impact	Pink
Opportunities	Lower impact	Pink

	Risk/opportunity	Type	Severity	Scenario	Short term impact	Medium term impact	Long term impact
Risks	Impact on clients and audited entities	Transition	Higher	NZ50	Green	Pink	Amber
				NDC	Green	Amber	Pink
	Transition plan alignment	Transition	Higher	NZ50	Pink	Pink	Amber
				NDC	Amber	Amber	Amber
	Financial cost of Net-Zero strategy	Physical/ transition	Lower	NZ50	Green	Amber	Amber
				NDC	Green	Amber	Pink
	Conflicting ESG targets	Transition	Lower	NZ50	Green	Green	Green
				NDC	Green	Amber	Amber
	Attracting and retaining talent and suppliers	Transition	Higher	NZ50	Amber	Amber	Amber
				NDC	Amber	Green	Green
	Productivity	Physical	Higher	NZ50	Amber	Amber	Amber
				NDC	Amber	Pink	Pink
Opportunities	Impact on clients and audited entities	Transition	Higher	NZ50	Green	Green	Amber
				NDC	Amber	Amber	Amber
	Operating costs	Transition	Lower	NZ50	Pink	Amber	Amber
				NDC	Pink	Pink	Amber
	Brand	Transition	Higher	NZ50	Amber	Amber	Amber
				NDC	Amber	Amber	Amber

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Strategy (continued)

Short-term risk mitigation

In the short-term, the most material risk is that the Firm does not align its transition plan for Net-Zero to the procurement requirements of our clients. Similarly, we need to ensure our suppliers transition plans align to our own requirements. As discussed further on page 17, the Firm has established its science-based Net-Zero targets. These targets are aligned to and validated by SBTi, and are set specifically to limit global warming to below 1.5°C. These actions are expected to ensure we meet the expectations of our clients and we engage our suppliers to bring them on the journey with us.

Short-term opportunities

We aim to help our clients and audited entities succeed in the context of an economy that is rapidly transitioning to Net-Zero, which means helping them play their part in the transition. For many of the sectors we serve, the Net-Zero transition represents an opportunity, and we may see high demand for core audit, tax and advisory services. Other sectors may face headwinds as they pivot towards more sustainable business models aligned to the Net-Zero agenda. In these sectors we see a growth in demand for sustainability strategic advice, transaction services and business restructuring services. In all sectors we see growth in demand for responsible tax advice, reporting advice and assurance services, coupled closely with rising demand for sustainability and ESG services driven by regulation. Further detail is available in our Transparency Report within the sustainability and ESG sections.

Other risk mitigation

BDO has made progress in the identification of material climate-related risks. These are managed using the framework detailed in the 'Risk Management' section below.

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Risk management

Identification and assessment of climate risks

The processes for identifying and assessing climate-related risks falls within the Firm's Enterprise Risk Management (ERM) Policy and is conducted at a Group level. This policy establishes a consistent and effective approach to risk management, which is integrated into the culture and activities across the Firm.

As outlined in the governance section above, BDO has established a number of boards, committees and business units that consider climate risks and opportunities, namely:

- Sustainability and ESG Board
- Sustainability and ESG Advisory Hub
- Quality and Risk Executive
- Decarbonisation Steering Committee
- Climate Risk Working Group.

BDO ensures the appropriate identification and reporting of ESG risks by these bodies through:

- Appointment of qualified and experienced members to relevant bodies
- Regular and clear channels for the communication of risks via reporting lines to the Operations Board and LT
- Overlap of body membership to ensure a variety of experience and views are present during meetings
- Regular consultation with experts external to BDO
- Regular communication with the Firm's external auditors.

The Firm maintains a 'Top Risk Register' which currently includes 15 Top Risks. These are reviewed and agreed by the Quality and Risk Executive, combining both top-down and bottom-up perspectives and evidence. The LT identifies and reviews, at least annually, this set of top risks which it believes are essential for the Firm to manage to achieve its strategic objectives and maintain the ongoing business operations.

BDO initially considered ESG risks in the top risk reviews. This process resulted in the inclusion of a broad ESG performance risk as a stand-alone risk to be managed, and the integration of climate-related risk into an additional eight existing risks. The nature of climate risk requires a different treatment and approach to many other risks on our register. Climate risks can be long-term in nature, beyond the typical business planning cycles. BDO has focussed efforts on mitigation strategies for those risks expected to have a more immediate material impact (see 'impact assessment' section above).

Management of climate risks

The Q&R Executive is responsible for ensuring appropriate strategies and plans are drawn up, implemented, and monitored to ensure the effective management of risks. The Chair of the Q&R Executive (Partner and Head of Quality and Risk) reports monthly to the LT on top risk management progress.

The Firm augments its internal climate expertise through engagement with external partners who are specialists in climate and carbon sustainability services. This external consultancy assisted with the creation of our Net-Zero strategy, the development of our Science-based Targets, and reporting of our annual emissions.

Integration of climate risk

The Firm established the Climate Risk Working Group for the purpose of risk identification, and qualitative impact assessment of climate-related risks. This group includes expertise from the Q&R Executive, Finance, our Sustainability and ESG Advisory Hub as well as the Sustainability and ESG Board. This exercise will be refreshed at least annually.

The ongoing management of these risks (and those that may be identified in future) is now integrated into our standard risk management practices and as such have been included in Rhiza, our proprietary risk management system.

Looking beyond

Over the coming year, as we work to further integrate climate risk and opportunity into our formal risk management process, we will consider the following priorities:

1. Review our definitions of climate-risk already included in our risk registers ensuring they cover the full spectrum of our climate-related organisational risk
2. Formalise climate risk as a consideration in financial decisions above an agreed threshold
3. Agree how and when to seek assurance on our carbon data and planning from our internal audit team.
4. Upskill our teams managing climate risk through training.

Energy and carbon report

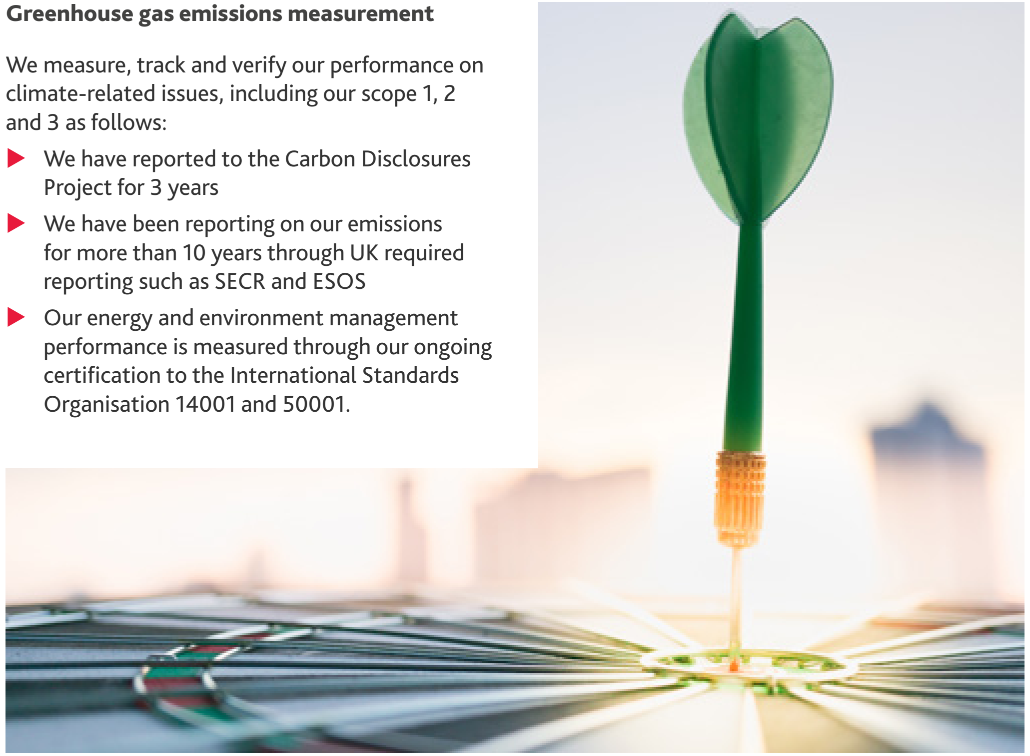
For the 52 weeks ended 30 June 2023 (continued)

Our metrics

Greenhouse gas emissions measurement

We measure, track and verify our performance on climate-related issues, including our scope 1, 2 and 3 as follows:

- We have reported to the Carbon Disclosures Project for 3 years
- We have been reporting on our emissions for more than 10 years through UK required reporting such as SECR and ESOS
- Our energy and environment management performance is measured through our ongoing certification to the International Standards Organisation 14001 and 50001.



Our targets

Our net-zero commitment and targets

During the 2021 UN Climate Change conference, COP26, BDO's Global CEO announced that BDO's international network of member firms would become Net-Zero by 2050. This supports BDO Global's involvement in the Glasgow Financial Alliance for Net-Zero (GFANZ), a global coalition of leading financial institutions committed to accelerating the decarbonisation of the economy.

In the UK, as part of our longer-term ambition to Net-Zero, we are committed to halving our overall emissions in absolute terms by 2030. To ensure we are robust in the way we monitor progress, we submitted our targets to the Science Based Targets initiative (SBTi) in FY23 to independently verify that our targets are consistent with their Net-Zero Standard. These were validated in August 2023.

The SBTi's science-based targets are set specifically in line to achieve the goal of limiting global warming to below 1.5°C.

BDO has established a near-term (2030) and long-term targets centred around changing the way we work, travel, and buy.

Near-term targets

Using the 2019/20 financial year as the base, we are committed to achieving our following targets:

- Reduce Scope One and Two GHG emissions by 50%. This is an absolute reduction target measured in tC02e
- 80% of our Tier 1 suppliers by emissions (including goods, services, and capital expenditure) will have science-based targets ("SBT"). This is a supplier engagement target measured by a spend-based emission calculation.

Long-term targets

Our long-term target is to achieve Net-Zero emissions by 2050. The period from 2030 to 2050 aligns with the UK government's ambitions for the wider economy to be Net-Zero. We will:

- Reduce Scope One and Two GHG emissions by 90%
- Reduce Scope Three GHG emissions by 97%
- Eliminate hard to abate emissions (up to 10 per cent) by investing in high quality carbon removals.

Looking beyond

As part of our increasing focus on climate and resilience to climate change, we plan to take a number of actions over the coming two-year period up to 2025 to improve our metrics and use them to incentivise change. We will:

- Develop processes and agree ownership for collating a dashboard to analyse metrics on a regular basis
- Select and onboard an ESG data management software platform to provide clear dashboards and decision useful analysis of our carbon footprint
- Add climate metrics and indicators to the Operations Board reporting dashboards
- Introduce internal carbon pricing for travel related expenses to improve visibility and encourage better decision making.
- Conduct a review of remuneration-linked objectives as they relate to climate-change.

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Green house gas emissions

Designated members statement

Like many businesses, our FY23 emissions have increased relative to the previous year due to the reducing impact of the COVID-19 pandemic. 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.

FY23 performance

Our carbon footprint for the FY23 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 average emissions impact is 0.84 tCO2e per employee. 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 FY23 figures, with overall tCO2e per employee increasing by 115% relative to FY22 but remaining well below pre-COVID-19 levels. Scope specific insights are as follows:

- **Scope 1 emissions decreased from 124 tCO2e to 73 tCO2e (-41%).** This was driven by a 43% decrease in natural gas due to the movement in office sites during the year
- **Scope 2 saw a 23% increase from 725 tCO2e to 893 tCO2e on a location-based basis.** Market-based emissions however decreased 39% from 395 tCO2e in FY22 to 239 tCO2e in FY23 because of an increased number of renewable energy tariffs implemented over the course of FY23
- **Scope 3 emissions saw a 174% increase, from 2,194 tCO2e to 6,011 tCO2e**, following a significant post-pandemic increase in business travel, primarily by an increase in flight emissions. There was also a significant increase in waste & recycling due to enhanced data collection in FY23.

Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

Green house gas emissions (continued)

Energy and carbon action

In the period covered by the report, BDO have undertaken energy saving initiatives by transitioning to renewable electricity tariffs across the business. We have procured renewable tariffs across the offices which BDO has control of utilities. For the sites which the landlord has control of utilities, there has been progress to transition sites to renewable tariffs during the year, however there will be a focus going forward to transition any remaining sites. BDO continue to be committed to carbon neutrality and plan to achieve further reductions through office efficiency reduction and future supplier engagement.

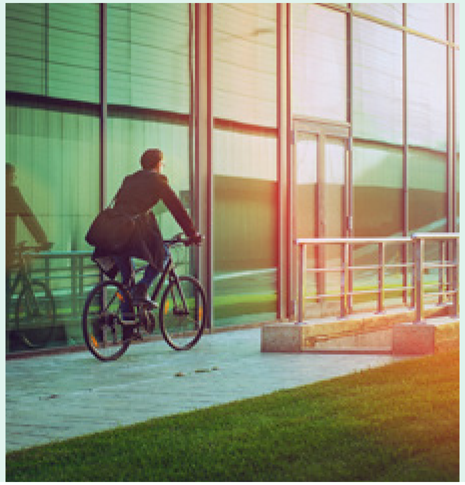
Emissions and energy usage

Scope	Emission Source	2020	2021	2022	2023
Scope 1	Natural Gas	165	99	123	70
	Company and leased cars	3	<1	1	2
	Refrigerants	0	0	0	1
Scope 2	Electricity	1,042	450	725	893
	Company and leased cars (Evs)	0	0	<1	<1
Scope 3	Electricity transmission and distribution	90	40	66	76
	Water	33	1	23	9
	Employees cars	644	46	185	357
	Rail	134	3	128	345
	International rail	1	<1	<1	1
	Public transport	<1	<1	<1	<1
	Couriers	52	0	19	10
	Flights	6,342	236	1,760	5,091
	Paper	43	2	9	14
	Waste and recycling	243	8	4	108
Total TCO2e		8,792	885	3,043	6,977
Total energy usage (kWh)		8,170,012	2,782,912	5,185,957	6,153,556
Intensity ratio (tCO2e per employee)		1.39	0.13	0.39	0.84

FY23 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 2023 issue of the conversion factor repository.



Energy and carbon report

For the 52 weeks ended 30 June 2023 (continued)

TCFD alignment

BDO is required to comply with the Climate-Related Financial Disclosure requirements of the LLP Regulations; however, we recognise that the leading disclosure framework is provided by TCFD.

BDO intends to enhance our Climate-Related Financial Disclosure each year until we reach full compliance with TCFD.

In this, our first year of including our Climate-Related Financial Disclosures, we believe BDO is fully compliant with seven of the eleven TCFD recommended disclosures, and partially compliant with the remaining four.

Details of partial compliance

To achieve full compliance with all TCFD requirements, BDO will improve:

1. Our mitigation strategies for medium and long-term risks
2. Our ability to plan for medium and long-term opportunities
3. Our ability to complete impact assessments that include quantitative scenario analysis over the short, medium, and long-term
4. Establish more robust KPIs for risks and opportunities and develop our ability to collect robust data to measure success against these KPIs.

Disclosure requirements of the LLP Regulations	Aligned to TCFD	TCFD Recommendation	Compliance
Describe the governance arrangements of the LLP in relation to assessing and managing climate-related risks and opportunities.	**Governance** Disclose the governance around climate-related risks and opportunities.	Describe how the board exercises oversight of climate-related risks and opportunities.	Fully
		Describe management's role in assessing and managing climate-related risks and opportunities.	Fully
Describe (i) the principal climate-related risks and opportunities arising in connection with the operations of the LLP, and (ii) the time periods by reference to which those risks and opportunities are assessed.	**Strategy** Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning where such information is material.	Describe the climate-related risks and opportunities identified over the short, medium, and long term.	Fully
Describe the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the LLP.		Describe the impact of climate-related risks and opportunities on businesses, strategy, and financial planning.	Partially
Analyse the resilience of the business model and strategy of the LLP, taking into consideration of different climate-related scenarios.		Describe the resilience of the strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Partially
Describe how the LLP identifies, assesses, and manages climate-related risks and opportunities.	**Risk management** Disclose how the organisation identifies, assesses, and manages climate-related risks.	Describe the processes for identifying and assessing climate-related risks.	Fully
		Describe the processes for managing climate-related risks.	Fully
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the LLP.		Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management.	Fully
Describe the targets used by the LLP to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.	**Metrics and targets** Disclose the metrics and targets used to assess, manage, and report relevant climate-related risks and opportunities where such information is material.	Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process.	Partially
No equivalent requirement.		Disclose Scope 1, Scope 2 and, if appropriate Scope 3 greenhouse gas (GHG) emissions and the related risks.	Fully
Describe the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.		Describe the targets used to manage climate-related risks and opportunities and performance against targets.	Partially

Independent auditors' report
to the members of BDO LLP

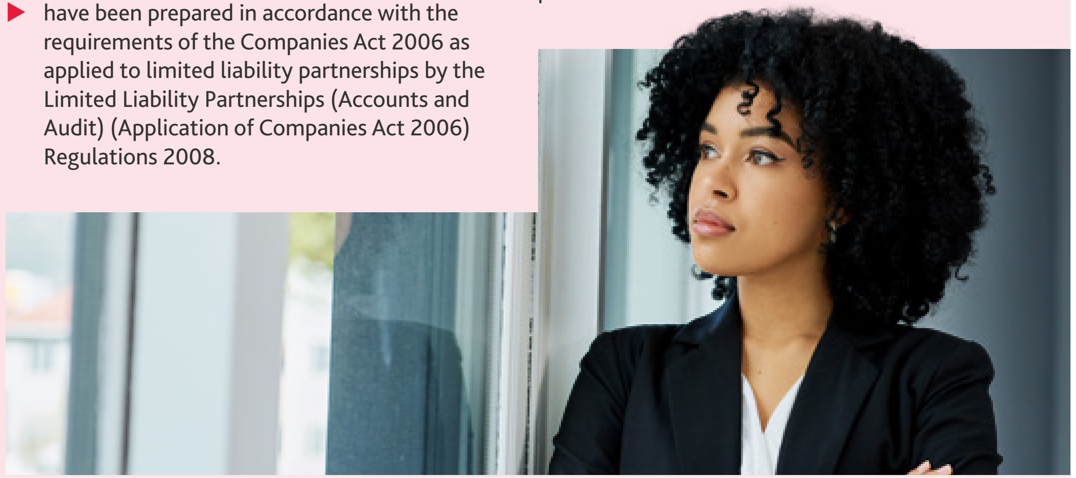
Report on the audit of the financial statements

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 30 June 2023 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 as applied in accordance with the provisions of the Companies Act 2006; 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 2023 (the "Annual Report"), which comprise: the consolidated and LLP statements of financial position as at 30 June 2023; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and LLP statements of cash flows, and the Consolidated and LLP statements of changes in equity and members' interests for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.



Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

Independent auditors' report

to the members of BDO LLP (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to 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 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;
- reviewing board minutes and the whistleblowing register to ensure that the matters discussed are consistent with our understanding and other audit evidence obtained;
- Understanding and evaluating the Group control environment specifically as it relates to preventing and detecting irregularities and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Enquiring of management, those charged with governance and legal counsel around actual and potential fraud and non-compliance with laws and regulations; and
- Reviewing internal audit reports

Independent auditors' report

to the members of BDO LLP (continued)

Responsibilities for the financial statements and the audit (continued)

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
17 October 2023

Consolidated income statement

For the 52 weeks ended 30 June 2023

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Revenue	4	**934.5**	808.5
Less other external charges: expenses and disbursements on client assignments		**(37.5)**	(38.9)
Net revenue		**897.0**	769.6
Operating expenses	6	**(710.4)**	(588.4)
Other operating income	6	**11.3**	8.1
Operating profit	6	**197.9**	189.3
Net finance charges	7	**(2.9)**	(2.2)
Profit before tax		**195.0**	187.1
Tax expense in corporate subsidiaries	8	**(5.9)**	(5.1)
Profit for the financial period before members' remuneration charged as an expense		**189.1**	**182.0**
Allocation of profit			
Members' remuneration charged as an expense		**(187.7)**	(11.0)
Profit for the financial period after members' remuneration charged as an expense		**1.4**	**171.0**
Profit/(loss) for the period attributable to:			
Members of the LLP before members' remuneration charged as an expense		**189.2**	182.2
Members remuneration charged as an expense		**(187.7)**	(11.0)
		1.5	171.2
Non-controlling interest		**(0.1)**	(0.2)
		1.4	**171.0**

Consolidated statement of comprehensive income

For the 52 weeks ended 30 June 2023

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Profit for the financial period after members' remuneration charged as an expense		**1.4**	171.0
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Pension scheme net actuarial (loss)/gain	18	**(1.4)**	7.6
Other comprehensive (loss)/income for the period		**(1.4)**	7.6
Total comprehensive income		**-**	**178.6**
Total comprehensive income/(loss) attributable to:			
Members of the LLP		**0.1**	178.8
Non-controlling interest		**(0.1)**	(0.2)
		-	**178.6**

Consolidated statement of financial position

As at 30 June 2023

Registered number: OC305127	Note	30 June 2023 (£m)	01 July 2022 (£m)
Assets			
Non-current assets			
Intangible assets	9	**19.0**	23.4
Property, plant and equipment	10	**25.3**	24.0
Right-of-use assets	11	**79.0**	97.7
Other receivables	13	**0.5**	0.8
		123.8	145.9
Current assets			
Trade and other receivables	13	**186.1**	174.3
Contract assets	13	**88.1**	81.1
Cash and cash equivalents		**39.1**	63.5
		313.3	318.9
Total assets		**437.1**	**464.8**
Liabilities			
Current liabilities			
Trade and other payables	14	**97.3**	85.2
Contract liabilities	14	**20.9**	21.5
Lease liabilities	11	**18.7**	19.3
Loans and borrowings	14	**13.5**	10.3
Provisions	15	**5.3**	-
		155.7	**136.3**

	Note	30 June 2023 (£m)	01 July 2022 (£m)
Non-current liabilities			
Loans and borrowings	14	**1.9**	2.9
Members' capital	14	**1.6**	1.4
Amounts due to members	14	**225.7**	206.1
Provisions	15	**14.3**	21.8
Employee benefits - pension liability	18	**0.6**	0.2
Lease liabilities	11	**64.8**	84.0
Deferred tax liabilities	21	**2.1**	1.3
		311.0	317.7
Total liabilities		**466.7**	454.0
Net (liabilities)/assets attributable to members		**(29.6)**	**10.8**
Equity			
Members' other reserves		**(29.3)**	11.0
Non-controlling interest		**(0.3)**	(0.2)
Total equity		**(29.6)**	**10.8**
Members' interests			
Members' capital	14	**1.6**	1.4
Amounts due to members	14	**225.7**	206.1
Members' other reserves		**(29.3)**	11.0
Total members' interests		**198.0**	**218.5**

The financial statements on pages 24 to 64 were authorised for issue on 17 October 2023 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 30 June 2023

	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members interests (£m)	Non-controlling interest (equity) (£m)
At 02 July 2021	11.5	1.3	184.5	**197.3**	-
Comprehensive income for the period:					
Members' remuneration charged as an expense	-	-	11.0	**11.0**	-
Profit/(loss) 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/ (loss) 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 01 July 2022	**11.0**	**1.4**	**206.1**	**218.5**	**(0.2)**

	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	-	-	187.7	**187.7**	-
Profit/(loss) for the period	1.5	-	-	**1.5**	(0.1)
Other comprehensive income for the period:					
Pension scheme net actuarial loss	(1.4)	-	-	**(1.4)**	-
Total comprehensive income/ (loss) for the period	0.1	-	187.7	**187.8**	(0.1)
Contributions by and distributions to members:					
Allocated profit	(40.4)	-	40.4	-	-
Introduced by members	-	0.3	11.0	**11.3**	-
Repaid to members	-	(0.1)	(3.3)	**(3.4)**	-
Amounts reclassified as amounts due to former members within payables	-	-	(16.4)	**(16.4)**	-
Drawings and distributions	-	-	(199.8)	**(199.8)**	-
At 30 June 2023	**(29.3)**	**1.6**	**225.7**	**198.0**	**(0.3)**

On 30 June 2022, a new members agreement became effective, impacting how the profits of the LLP are divided. From this date, all profit for the financial year (after making equitable adjustments) is divided automatically.

From FY23, amounts previously included as 'available for discretionary division among members' will now be disclosed as 'members remuneration charged as an expense' and included in the income statement.

The Leadership Team retains control over the timing of payments to members and may defer the settlement of these amounts.

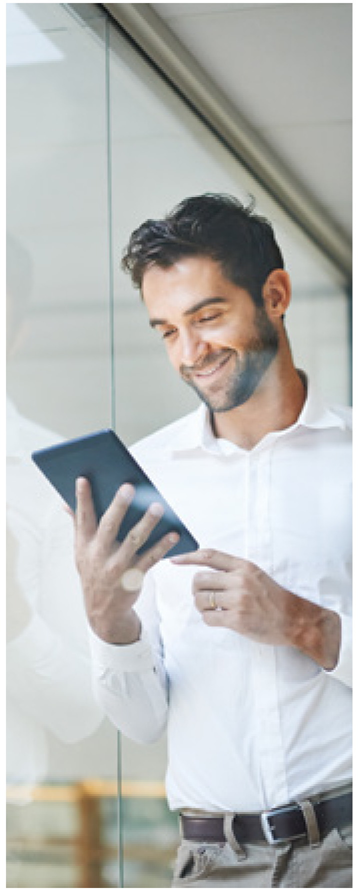
Allocated profit in FY23 is the post FY22 balance sheet discretionary division of profit (after making equitable adjustments) of FY22 profits under the previous LLP agreement.

Consolidated statement of cash flows

For the 52 weeks ended 30 June 2023

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Cash flows from operating activities			
Profit for the period after members' remuneration charged as an expense		**1.4**	171.0
Members' remuneration charged as an expense		**187.7**	11.0
Amortisation of intangibles	9	**4.4**	4.4
Depreciation of property, plant and equipment	10	**8.5**	6.2
Depreciation of right-of-use assets	11	**18.1**	18.1
Loss on disposal of property, plant and equipment		**-**	1.3
Sub-letting of land and buildings		**(3.1)**	-
Difference between pension charge and cash contributions	18	**(1.0)**	(1.0)
Finance expense	7	**3.2**	2.3
Finance income	7	**(0.3)**	(0.1)
Tax expense	8	**5.9**	5.1
Increase in trade and other receivables		**(16.0)**	(18.5)
Increase/(decrease) in trade and other payables		**11.5**	(0.5)
(Decrease)/increase in provisions		**(1.7)**	0.9
Cash generated from operations		**218.6**	200.2
UK corporation tax paid		**(7.6)**	(4.6)
Net cash flow generated from operating activities		**211.0**	195.6

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Investing activities			
Purchase of property, plant and equipment	10	**(9.8)**	(15.2)
Sub-letting of land and buildings		**3.1**	-
Interest received		**0.3**	-
Net cash used in investing activities		**(6.4)**	(15.2)
Financing activities			
Drawings and distributions to members		**(199.8)**	(162.7)
Introduced by members		**11.3**	9.1
Repaid to members		**(3.4)**	(4.8)
Amounts repaid to former members		**(14.2)**	(9.9)
Loan repayments	14	**-**	(38.3)
Interest received		**-**	0.1
Interest paid		**(3.7)**	(2.5)
Lease liabilities paid		**(19.2)**	(19.0)
Net cash used in financing activities		**(229.0)**	(228.0)
Net movement in cash and cash equivalents		**(24.4)**	(47.6)
Cash and cash equivalents at beginning of period		**63.5**	111.1
Cash and cash equivalents at end of period		**39.1**	63.5



LLP statement of financial position

As at 30 June 2023

Registered number: OC305127

	Note	30 June 2023 (£m)	01 July 2022 (£m)
Assets			
Non-current assets			
Intangible assets	9	**7.9**	8.4
Property, plant and equipment	10	**5.6**	4.0
Right-of-use assets	11	**57.5**	71.6
Investments in subsidiary undertakings	12	**3.3**	3.3
Other receivables	13	**0.5**	0.8
		74.8	88.1
Current assets			
Trade and other receivables	13	**187.6**	176.5
Contract assets	13	**87.9**	80.9
Cash and cash equivalents		**34.4**	48.7
		309.9	306.1
Total assets		**384.7**	**394.2**
Liabilities			
Current liabilities			
Trade and other payables	14	**101.0**	57.4
Contract liabilities	14	**20.9**	21.5
Lease liabilities	11	**14.2**	15.0
Loans and borrowings	14	**13.5**	12.5
Provisions	15	**7.9**	-
		157.5	106.4

	Note	30 June 2023 (£m)	01 July 2022 (£m)
Non-current liabilities			
Loans and borrowings	14	**1.9**	2.9
Members' capital	14	**1.6**	1.4
Amounts due to members	14	**225.7**	206.1
Provisions	15	**5.7**	14.9
Employee benefits - pension liability	18	**0.6**	0.2
Lease liabilities	11	**46.0**	60.0
		281.5	285.5
Total liabilities		**439.0**	391.9
Net (liabilities)/assets attributable to members		**(54.3)**	2.3
Equity			
Members' other reserves		**(54.3)**	**2.3**
Represented by:			
Members' capital	14	**1.6**	1.4
Amounts due to members	14	**225.7**	206.1
Members' other reserves		**(54.3)**	2.3
Total members' interests		**173.0**	**209.8**

As permitted by section 408 of the Companies Act 2006 no separate income statement is presented for the LLP. The LLP's profit for the period was £171.4m (2022: £164.3m). The LLP's loss for the year after members' remuneration charged as an expense was £14.8m (2022: profit of £154.4m).

The financial statements of pages 24 to 64 were approved and authorised for issue on 17 October 2023 and signed on behalf of the members of BDO LLP by:

PAUL EAGLAND
Managing Partner

STUART COLLINS
Finance Partner

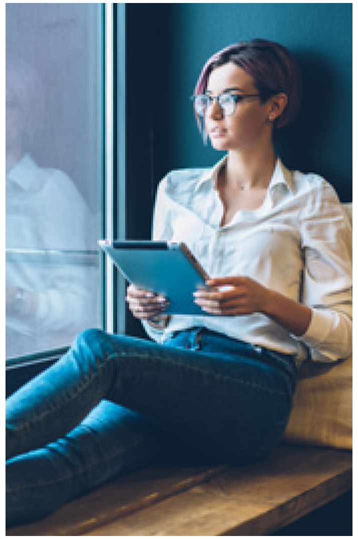
LLP statement of changes in equity and members' interests

For the 52 weeks ended 30 June 2023

	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members interests (£m)
At 02 July 2021	20.3	1.3	184.5	**206.1**
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 01 July 2022	**2.3**	**1.4**	**206.1**	**209.8**

	Other reserves (equity) (£m)	Members' capital (liabilities) (£m)	Amounts due to members (liabilities) (£m)	Total members interests (£m)
Comprehensive loss for the period:				
Members' remuneration charged as an expense	-	-	186.2	**186.2**
Loss for the period	(14.8)	-	-	**(14.8)**
Other comprehensive losses for the period:				
Pension scheme net actuarial loss	(1.4)	-	-	**(1.4)**
Total comprehensive loss for the period	(16.2)	-	186.2	**170.0**
Contributions by and distributions to members:				
Allocated profit	(40.4)	-	40.4	**-**
Introduced by members	-	0.3	11.0	**11.3**
Repaid to members	-	(0.1)	(3.3)	**(3.4)**
Amounts reclassified as amounts due to former members within payables	-	-	(16.4)	**(16.4)**
Drawings and distributions	-	-	(198.3)	**(198.3)**
At 30 June 2023	**(54.3)**	**1.6**	**225.7**	**173.0**

The changes to members' remuneration charged as an expense during the period are explained further in the Group statement of changes in equity and members' interests.

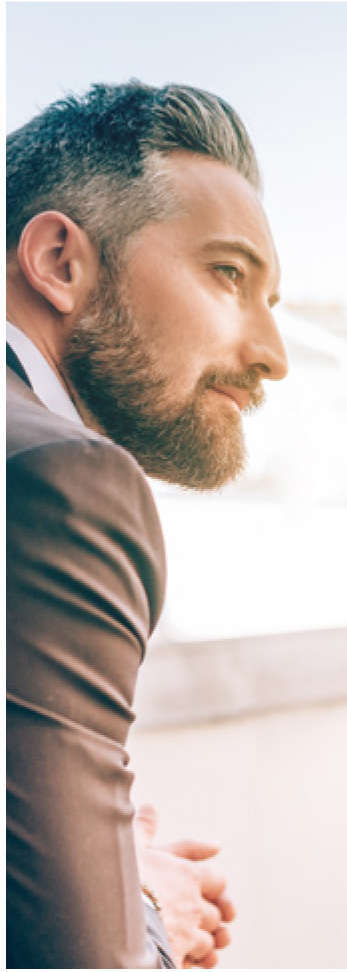


LLP statement of cash flows

For the 52 weeks ended 30 June 2023

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Cash flows from operating activities			
(Loss)/profit for the period after members remuneration charged as an expense		**(14.8)**	154.4
Members' remuneration charged as an expense		**186.2**	9.9
Amortisation of intangibles	9	**0.5**	0.5
Depreciation of property, plant and equipment	10	**0.5**	1.2
Depreciation of right-of-use assets	11	**14.3**	14.6
Loss on disposal of property, plant and equipment		**-**	1.3
Sub-letting of land and buildings		**(3.1)**	-
Difference between pension charge and cash contributions	18	**(1.0)**	(1.0)
Finance expense		**2.5**	2.0
Finance income		**(0.3)**	(0.2)
Dividend received		**(4.8)**	-
Increase in trade and other receivables		**(1.3)**	(17.4)
Increase in trade and other payables		**43.0**	12.1
(Decrease)/increase in provisions		**(1.0)**	2.8
Net cash flow generated from operating activities		**220.7**	180.2

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Investing activities			
Purchase of property, plant and equipment	10	(2.1)	(2.1)
Dividends received		4.8	-
Loans issued to group undertakings		(16.5)	-
Sub-letting of land and buildings		3.1	-
Interest received		0.3	-
Net cash used in investing activities		(10.4)	(2.1)
Financing activities			
Drawings and distributions to members		(198.3)	(162.3)
Introduced by members		11.3	9.1
Repaid to members		(3.4)	(4.8)
Amounts repaid to former members		(14.2)	(9.9)
Loan repayments	14	(2.2)	(50.7)
Interest paid		(2.8)	(2.2)
Interest received		-	0.2
Lease liabilities paid		(15.0)	(14.9)
Net cash used in financing activities		(224.6)	(235.5)
Net movement in cash and cash equivalents		(14.3)	(57.4)
Cash and cash equivalents at beginning of period		48.7	106.1
Cash and cash equivalents at end of period		**34.4**	**48.7**



Notes to the financial statements

For the 52 weeks ended 30 June 2023

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. Material 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 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 pound sterling, which is the functional currency of the LLP and the presentation currency for the financial statements.

Accounting convention

The Group has continued to demonstrate robust performance over the year despite a challenging macroeconomic climate. The Leadership Team have carefully reviewed current results and prepared detailed trading and cash flow forecasts through to June 2025 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 2024 financial year. In this scenario, BDO is able to continue to trade in a similar fashion to that reported for the 2023 financial year.
- A downside case which sees a 10% reduction against budget in demand for services offered by the Group which continues until June 2025.
- A severe downside case which incorporates a 20% reduction against budget in revenue representing a difficult trading environment also continuing until June 2025.

Liquidity is maintained under all three modelled scenarios through the period to June 2025. The Group facilities of £100m were extended through to October 2026 during the year. 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.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

1. Accounting policies (continued)

Basis of consolidation

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

Foreign currencies

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

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.

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:

- *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. Effective for periods beginning after 1 January 2024.
- *IFRS S2 Climate-related Disclosures. Effective for periods beginning after 1 January 2024.
- 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 2024.
- Amendments to IAS8 - Definition of Accounting Estimates, IAS1 and IFRS Practice Statement 2 - Disclosure of Accounting policies, IAS12 - Deferred tax related to Assets and Liabilities arising from a Single Transaction. Effective for periods beginning after 1 January 2023.
- *Amendments to IAS 12 - International Tax Reform - Pillar Two Model Rules. Effective for periods beginning after 1 January 2023.
- *Amendments to IFRS16 Leases - Lease liability in a Sale and Leaseback, IAS7 and IFRS7 - Supplier Finance Arrangements. Effective for periods beginning after 1 January 2024.

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

*Not yet endorsed for use in the UK.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

2. Revenue

Revenue is recognised when services are transferred to the client at an amount that reflects the consideration to which the firm expects to be entitled in exchange for those services. Revenues are recognised through applying the IFRS 15 input method 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. In an unlikely scenario, a 10% movement in contract assets will result in change in £8.8m 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.

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 30 June 2023 (continued)

4. Analysis of revenue, operating profit and total members' interests by business stream

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.

	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Revenue		
Audit	399.8	323.8
Advisory	310.0	285.8
Tax	224.7	198.9
	934.5	**808.5**
Operating profit		
Audit	79.4	73.5
Advisory	53.5	52.1
Tax	68.9	62.4
Unallocated	(3.9)	1.3
	197.9	**189.3**
Total members interests		
Audit	65.0	72.9
Advisory	61.2	69.9
Tax	57.5	69.0
Unallocated	14.3	6.7
	198.0	**218.5**

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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 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 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Staff costs (excluding members) consist of:		
Wages and salaries	389.1	316.1
Settlement costs	0.9	0.4
Social security costs	43.6	35.2
Other pension costs	39.4	32.2
	473.0	**383.9**

Headcount (average)	**Number**	**Number**
Audit	2,832	2,464
Advisory	2,519	2,151
Tax	948	953
Central support	754	642
	7,053	**6,210**

The average number of members was 319 (2022: 289). 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 period to 30 June 2023 was 8 (2022: 8). The estimated profit attributable to the members of the Leadership Team amounts to £14.3m (2022: £14.9m).

During the period, members received remuneration of £187.7m (2022: £11.0m) in respect of their services to the Group, which has been charged to the income statement as members' remuneration charged as an expense. As a result of a revised members agreement from FY23, profits earned by the partnership are automatically divided between the members, resulting in these being recognised as members' remuneration charged as an expense.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

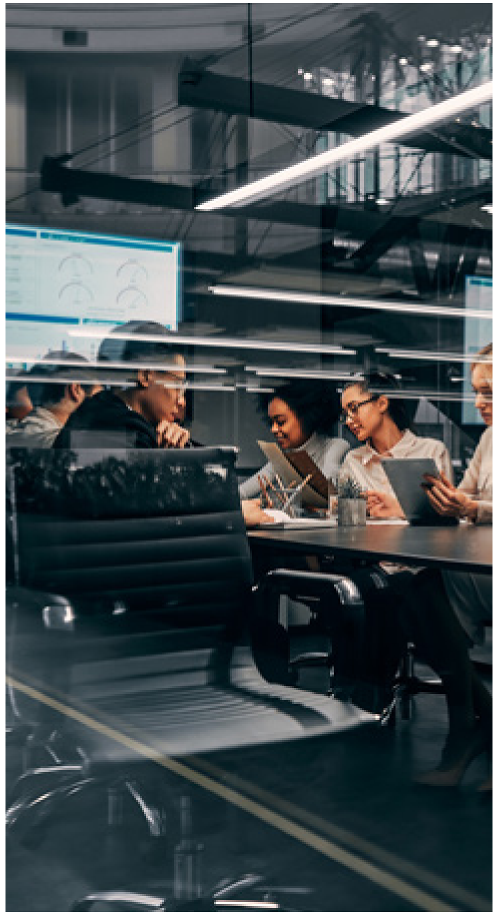
6. Group operating profit

Group operating profit is stated after charging:

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Depreciation of property, plant and equipment - owned	10	**8.5**	6.2
Loss on disposal of property, plant and equipment		**-**	1.3
Amortisation of intangibles	9	**4.4**	4.4
Depreciation of right-of-use assets	11	**18.1**	18.1
Employee costs	5	**473.0**	383.9
Provisions charged to income statement	15	**8.5**	2.5
Information technology		**34.0**	28.6
Recruitment costs		**16.8**	15.7
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

Within the period, the Group's auditor provided non-audit services relating to the provision of software licenses with a value of £25,000 (2022: £19,000).

Other operating income mainly consists of sub-letting land and buildings of £3.1m (2022: £3.1m).



7. Net finance charges

	Note	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Finance expense:			
Bank loans and overdrafts*		**(1.1)**	(0.3)
Net interest cost on pension liabilities	18	**(0.1)**	(0.1)
Interest on lease liabilities	11	**(1.5)**	(1.8)
Interest on property dilapiditions	15	**(0.5)**	(0.1)
		(3.2)	(2.3)
Finance income:			
Short term deposits and investments		**0.3**	0.1
		0.3	0.1
Net finance charges		**(2.9)**	(2.2)

*Bank loans and overdrafts includes a £0.2m (2022: £0.1m) interest charge on annuity obligations (note 15)

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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 year.

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

Corporation tax arises in corporate subsidiaries as follows:

	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Current tax	5.2	3.0
Deferred tax	0.7	2.1
Total tax expense	**5.9**	**5.1**

Factors affecting the tax charge for the period:

Profit on ordinary activities of corporate subsidiaries before taxation	**31.8**	**36.1**
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 21% (2022: 19%)	6.7	6.9
Impact of items not deductible for tax purposes	0.2	0.6
Adjustments to brought forward values	0.5	-
Income not subject to taxation	(1.0)	(2.5)
Adjustments in respect of prior periods	(0.6)	0.1
Adjustment in deferred tax due to change in corporation tax rate	0.1	-
	5.9	**5.1**

Notes to the financial statements
For the 52 weeks ended 30 June 2023 (continued)

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 income statement.

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 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, and on prior year profit experience extrapolated to the five-year period to June 2028.

We have assumed a growth rate of 2.7% (2022: 2.4%) 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 18% (2022: 14%). At 30 June 2023, the carrying amount of the Group's goodwill was £11.7m (2022: £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.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

9. Intangible assets (continued)

Group	Customer relationships (£m)	Goodwill (£m)	Total (£m)
Cost			
At 02 July 2021, 01 July 2022 and 30 June 2023	26.7	11.7	38.4
Accumulated amortisation/impairment			
At 02 July 2021	10.6	-	10.6
Amortisation charge for the period	4.4	-	4.4
At 01 July 2022	15.0	-	15.0
Amortisation charge for the period	4.4	-	4.4
At 30 June 2023	19.4	-	19.4
Net carrying amount at 02 July 2021	16.1	11.7	27.8
Net carrying amount at 01 July 2022	11.7	11.7	23.4
Net carrying amount at 30 June 2023	7.3	11.7	19.0

LLP	Customer relationships (£m)	Goodwill (£m)	Total (£m)
Cost			
At 02 July 2021, 01 July 2022 and 30 June 2023	3.0	7.0	10.0
Accumulated amortisation/impairment			
At 02 July 2021	1.1	-	1.1
Amortisation charge for the period	0.5	-	0.5
At 01 July 2022	1.6	-	1.6
Amortisation charge for the period	0.5	-	0.5
At 30 June 2023	2.1	-	2.1
Net carrying amount at 02 July 2021	1.9	7.0	8.9
Net carrying amount at 01 July 2022	1.4	7.0	8.4
Net carrying amount at 30 June 2023	0.9	7.0	7.9

Amortisation of intangible assets is included in operating expenses.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

10. Property, plant and equipment

Accounting policies

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

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 02 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 01 July 2022	42.7	31.8	0.1	74.6
Additions	0.7	9.1	-	9.8
Disposals	(1.1)	(2.9)	(0.1)	(4.1)
At 30 June 2023	42.3	38.0	-	80.3
Accumulated depreciation/impairment				
At 02 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 01 July 2022	34.4	16.1	0.1	50.6
Charge for the period	1.8	6.7	-	8.5
Disposals	(1.1)	(2.9)	(0.1)	(4.1)
At 30 June 2023	35.1	19.9	-	55.0
Net carrying amount at 02 July 2021	7.9	8.5	-	16.4
Net carrying amount at 01 July 2022	8.3	15.7	-	24.0
Net carrying amount at 30 June 2023	7.2	18.1	-	25.3

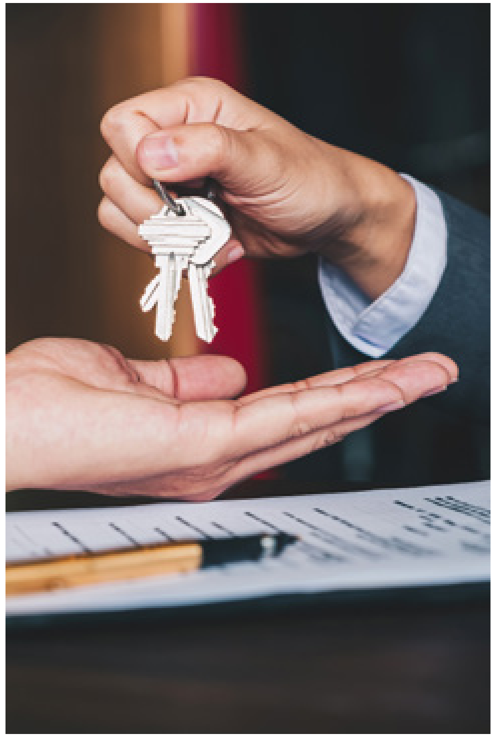
LLP	Leasehold improvements (£m)	Fixtures, fittings and computer equipment (£m)	Total (£m)
Cost			
At 02 July 2021	33.6	6.4	40.0
Additions	1.3	0.8	2.1
Disposals	(2.3)	(0.7)	(3.0)
At 01 July 2022	32.6	6.5	39.1
Additions	1.9	0.2	2.1
At 30 June 2023	34.5	6.7	41.2
Accumulated depreciation/impairment			
At 02 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 01 July 2022	30.3	4.8	35.1
Charge for the period	0.3	0.2	0.5
At 30 June 2023	30.6	5.0	35.6
Net carrying amount at 02 July 2021	2.7	1.7	4.4
Net carrying amount at 01 July 2022	2.3	1.7	4.0
Net carrying amount at 30 June 2023	3.9	1.7	5.6

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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 for the relevant legal entity 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 assumption of a termination option being exercised.

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

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

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

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 and 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 of only fixed payments over the lease terms. Some of these leases are low in value and are therefore expensed on a straight-line basis to the income statement instead of being capitalised. The Group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

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

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 current year the option to terminate a lease at the point of a break clause was exercised, the impact of this has been presented within lease modifications. During the prior year no break clauses were exercised.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

11. Leases (continued)

ROU assets - Group	Plant and machinery (£m)	Land and buildings (£m)	Total (£m)
Cost			
At 02 July 2021	-	153.1	153.1
Additions	1.6	3.5	5.1
At 01 July 2022	1.6	156.6	158.2
Additions	-	0.2	0.2
At 30 June 2023	1.6	156.8	158.4
Accumulated depreciation			
At 02 July 2021	-	42.4	42.4
Charge for the period	0.1	18.0	18.1
At 01 July 2022	0.1	60.4	60.5
Charge for the period	0.3	17.8	18.1
Modifications	-	0.8	0.8
At 30 June 2023	0.4	79.0	79.4
Net carrying amount			
At 02 July 2021	-	110.7	110.7
At 01 July 2022	1.5	96.2	97.7
At 30 June 2023	1.2	77.8	79.0

ROU assets - LLP	Land and buildings (£m)
Cost	
At 02 July 2021	115.3
Additions	0.8
At 01 July 2022	116.1
Additions	0.2
At 30 June 2023	116.3
Accumulated depreciation	
At 02 July 2021	29.9
Charge for the period	14.6
At 01 July 2022	44.5
Charge for the period	14.3
At 30 June 2023	58.8
Net carrying amount	
At 02 July 2021	85.4
At 01 July 2022	71.6
At 30 June 2023	57.5

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

11. Leases (continued)

Lease liabilities - Group	Plant and machinery (£m)	Land and buildings (£m)	Total (£m)
At 02 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 01 July 2022	1.5	101.8	103.3
Additions	-	0.2	0.2
Interest expense	-	1.5	1.5
Lease payments	(0.3)	(20.4)	(20.7)
Modifications	-	(0.8)	(0.8)
At 30 June 2023	**1.2**	**82.3**	**83.5**

Lease liabilities - LLP	Land and buildings (£m)
At 02 July 2021	89.2
Additions	0.7
Interest expense	1.3
Lease payments	(16.2)
At 01 July 2022	75.0
Additions	0.2
Interest expense	1.1
Lease payments	(16.1)
At 30 June 2023	**60.2**

Low value leases - Group	52 weeks ended 30 June 2023 (£m)	52 weeks ended 01 July 2022 (£m)
Low value lease expense	**0.9**	2.5

The LLP does not have any low value leases.

Total commitments on lease liabilities	Group 30 June 2023 (£m)	Group 01 July 2022 (£m)	LLP 30 June 2023 (£m)	LLP 01 July 2022 (£m)
Up to 1 year	**18.7**	19.3	**14.2**	15.0
Between 1 and 2 years	**18.1**	18.8	**13.9**	14.3
Between 2 and 5 years	**41.4**	54.8	**32.1**	42.3
Over 5 years	**5.3**	10.4	**-**	3.4
	83.5	103.3	**60.2**	75.0

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

12. Investment in subsidiary undertakings

LLP	30 June 2023 (£m)	01 July 2022 (£m)
Shares in Group undertakings:		
At beginning and end of period	**3.3**	**3.3**

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 Nominees Ltd	England & Wales	100%	Nominee
Indirect Group interests:			
BDO LLP Ltd	England & Wales	100%	Professional services
New Garden House Pension Trustees Ltd	England & Wales	100%	Trustee
BDO Trustees Ltd	England & Wales	100%	Trustee
The Clients Trustee Company Ltd	England & Wales	100%	Trustee
TBW Trustees Ltd	England & Wales	100%	Trustee
BDO Pension Trustees Ltd	England & Wales	100%	Trustee
BDO Pension Trustees No2 Ltd	England & Wales	100%	Trustee
BDO Trustees (MS) Ltd	England & Wales	100%	Trustee
Crossburn Trustees Ltd	England & Wales	100%	Trustee
Snow Hill Trustees Ltd	England & Wales	100%	Trustee
BDO Services Ltd	England & Wales	100%	Professional services
BDO Employment Services Ltd	England & Wales	100%	Professional services
BDO IFI Services Ltd	England & Wales	100%	Professional services
BDO Holdings Ltd	England & Wales	100%	Holding company
BDO Regulatory Solutions Ltd	England & Wales	67%	Professional services
Clinton Avenue Properties Ltd	England & Wales	100%	Dissolved 01/09/23

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

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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.

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

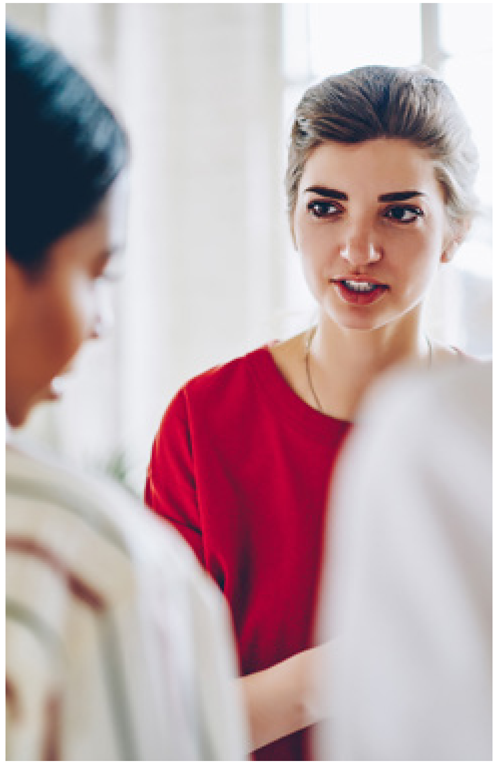
The carrying value of trade receivables and unbilled revenue was assessed at the end of the financial year. Expected credit losses in respect of trade receivables have been applied and are disclosed in the subsequent table. Expected credit losses in respect of contract assets of £nil (2022: £nil) have been recognised.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

13. Trade and other receivables (continued)

Current	Group 30 June 2023 (£m)	Group 01 July 2022 (£m)	LLP 30 June 2023 (£m)	LLP 01 July 2022 (£m)
Trade receivables	170.5	163.5	**168.8**	162.8
Provision for impairment	(5.0)	(7.3)	**(4.9)**	(7.2)
Net trade receivables	165.5	156.2	**163.9**	155.6
Contract assets	88.1	81.1	**87.9**	80.9
Other receivables	1.6	1.7	**0.4**	1.3
Amounts owed by Group undertakings	-	-	**16.9**	12.5
Total financial assets held at amortised cost	255.2	239.0	**269.1**	250.3
Prepayments	15.6	15.5	**6.4**	7.1
Corporation tax	3.4	0.9	**-**	-
Total trade and other receivables	**274.2**	**255.4**	**275.5**	**257.4**
Non-current				
Other receivables	0.2	0.5	**0.2**	0.5
Prepayments	0.3	0.3	**0.3**	0.3
	0.5	**0.8**	**0.5**	**0.8**



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

Amounts owed by Group undertakings include both trading amounts, and loans to Group undertakings. Trading amounts owed from Group undertakings are unsecured, interest free and repayable on demand. Loan amounts have terms of less than one year and incur interest at an arms-length rate. Credit risk for receivables from Group entities has not varied 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. As a result the Group has applied the practical expedient set out in IFRS15.63 to not adjust the promised amounts of consideration for the effects of a significant financing component.

Additionally, the Group has applied the practical expedient set out in IFRS 15.121 '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.

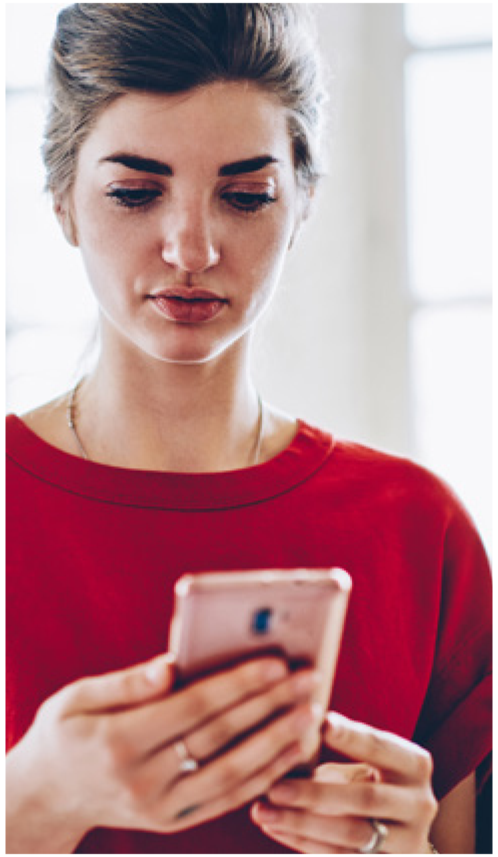
At 30 June 2023, the lifetime expected loss provision for trade receivables for the Group and LLP is based upon the ongoing uncertainty affecting the global economy and other economic factors.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

13. Trade and other receivables (continued)

	Gross carrying amount (£m)	Loss provision (£m)	Expected loss rate (%)
30 June 2023	**105.4**	**1.5**	**1.4%**
Current	**31.7**	**0.4**	**1.3%**
31-60 days overdue	**13.1**	**0.2**	**1.5%**
61-90 days overdue	**16.0**	**0.9**	**5.6%**
91-270 days overdue	**4.3**	**2.0**	**46.5%**
>270 days overdue	**170.5**	**5.0**	**2.9%**
01 July 2022	96.2	1.7	1.8%
Current	29.4	0.5	1.7%
31-60 days overdue	12.7	0.2	1.6%
61-90 days overdue	17.7	0.9	5.1%
91-270 days overdue	7.5	4.0	53.3%
>270 days overdue	163.5	7.3	4.5%



	Group 30 June 2023 (£m)	Group 01 July 2022 (£m)	LLP 30 June 2023 (£m)	LLP 01 July 2022 (£m)
Movements in the impairment allowance for trade receivables are as follows:				
At beginning of period	7.3	10.0	7.2	10.0
Increase during the period	4.7	2.5	4.7	2.4
Unused amounts reversed	(3.7)	(5.1)	(3.7)	(5.1)
Receivables written off during the period as uncollectable	(3.3)	(0.1)	(3.3)	(0.1)
At end of period	**5.0**	**7.3**	**4.9**	**7.2**
The following shows the ageing of trade receivables:				
Current	105.4	96.2	104.1	95.7
31-60 days overdue	31.7	29.4	31.6	29.4
61-90 days overdue	13.1	12.7	13.1	12.7
91-270 days overdue	16.0	17.7	15.7	17.6
>270 days overdue	4.3	7.5	4.3	7.4
Total	**170.5**	**163.5**	**168.8**	**162.8**

Materially, all of the groups trade receivables are within BDO LLP, therefore no separate disclosure for the parent entity has been shown.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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. The carrying value of these liabilities approximates their fair value.
- Contract liabilities - these represent revenue received in advance of satisfying the performance obligations connected to contracts with customers.
- Lease liabilities - these are recognised as per the accounting policy in note 11.

Trade and other payables	Group 30 June 2023 (£m)	Group 01 July 2022 (£m)	LLP 30 June 2023 (£m)	LLP 01 July 2022 (£m)
Current				
Trade payables	14.5	12.2	8.5	7.5
Other payables	4.1	2.2	1.5	-
Accruals	40.8	39.3	15.6	20.4
Amounts due to Group undertakings	-	-	40.9	-
Total financial liabilities held at amortised cost	59.4	53.7	66.5	27.9
Other taxation and social security	37.9	31.5	34.5	29.5
Total trade and other payables (excluding contract liabilities)	97.3	85.2	101.0	57.4
Contract liabilities	20.9	21.5	20.9	21.5
Total trade and other payables	118.2	106.7	121.9	78.9

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

14. Financial liabilities (continued)

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

The opening balance of contract liabilities of the Group and LLP and value recognised as revenue is shown in the table below:

LLP	30 June 2023 (£m)	01 July 2022 (£m)
Opening contract liabilities	21.5	27.0
Value recognised as revenue in period	18.4	27.0

Loans and borrowings	Group 30 June 2023 (£m)	Group 01 July 2022 (£m)	LLP 30 June 2023 (£m)	LLP 01 July 2022 (£m)
Current				
Amounts owed to group undertakings	-	-	-	2.2
Amounts due to former members and partners	13.5	10.3	13.5	10.3
	13.5	10.3	13.5	12.5
Non-current				
Amounts due to former members and partners	1.9	2.9	1.9	2.9
Members' capital	1.6	1.4	1.6	1.4
Amounts due to members	225.7	206.1	225.7	206.1
	229.2	210.4	229.2	210.4
Total loans and borrowings	242.7	220.7	242.7	222.9

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.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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.

	Annuities (£m)	Professional indemnity (£m)	Property (£m)	Total (£m)
Group				
At 01 July 2022	5.4	6.4	10.0	**21.8**
Utilisation of provision	(0.4)	(4.6)	(0.3)	**(5.3)**
(Released)/charged to income statement	(0.4)	4.2	-	**3.8**
Reversals of unused amounts	-	(0.7)	-	**(0.7)**
At 30 June 2023	4.6	5.3	9.7	19.6
LLP				
At 01 July 2022	0.1	8.6	6.2	**14.9**
Utilisation of provision	-	(4.2)	(0.3)	**(4.5)**
Charged/(released) to income statement	-	4.2	(0.3)	**3.9**
Reversals of unused amounts	-	(0.7)	-	**(0.7)**
At 30 June 2023	0.1	7.9	5.6	13.6

	Group 30 June 2023 (£m)	Group 01 July 2022 (£m)	LLP 30 June 2023 (£m)	LLP 01 July 2022 (£m)
Current	**5.3**	-	**7.9**	-
Non-Current	**14.3**	21.8	**5.7**	14.9
Total	**19.6**	**21.8**	**13.6**	**14.9**

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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 30 June 2023. The remainder of the annuities totalling £0.1m (2022: £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.

Annuities	30 June 2023 (%)	01 July 2022 (%)
Key actuarial assumptions:		
Discount rate	**5.2**	3.5
Rate of inflation	**3.6**	3.5

The underlying mortality assumptions is based upon the S3PA_M mortality base tables with future improvements in line with CMI2022 projection tables subject to a long-term rate of improvement of 1% p.a.

	30 June 2023 (%)	01 July 2022 (%)
Male currently aged 65	**21.7**	22.2
Male currently aged 70	**16.5**	17.0
Female currently aged 65	**23.9**	24.3
Female currently aged 70	**18.7**	19.1

	30 June 2023 (£m)	01 July 2022 (£m)
Remeasurement		
Remeasurement - Experience loss on liabilities	0.2	0.2
Remeasurement - Gains from changes to financial assumptions	(0.1)	(0.9)
Remeasurement - Gains from changes in demographic assumptions	(0.6)	(0.3)
Total remeasurement	**(0.5)**	**(1.0)**
Reconciliation of annuity obligation		
Obligation at the start of the period	5.2	6.5
Interest cost	0.2	0.1
Benefits paid	(0.4)	(0.4)
Remeasurement	(0.5)	(1.0)
Obligation at the end of the period	**4.5**	**5.2**
Sensitivities		
0.1% p.a. decrease in the discount rate	-	-
0.1% p.a. increase in the assumed rates of inflation	-	-
10% decrease in the assumed long-term rate of mortality improvements	0.2	0.2

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 risk-free rate has been used to discount the future cash flows.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

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	30 June 2023 (£m)	01 July 2022 (£m)
Income earned from subsidiaries	61.9	58.7
Purchases from subsidiaries	(601.9)	(556.0)
Finance income	-	0.1

The main trading subsidiary undertakings, BDO Services Ltd, BDO LLP Ltd, BDO Regulatory Solutions Ltd, BDO IFI Services Ltd and BDO Holdings Ltd are managed by ten Directors who are also members of BDO LLP. The remuneration of these members is shown in the table below. There were no management personnel compensation for any type of benefits.

LLP	30 June 2023 (£m)	01 July 2022 (£m)
Lowest paid director	-	-
Highest paid director	0.3	0.2
Total directors remuneration	1.5	1.1

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 30 June 2023 (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 (note 15).

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.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

18. Pensions (continued)

Risks

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

Liability risk

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

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

	30 June 2023 (£m)	01 July 2022 (£m)
Defined benefit obligation	(69.6)	(86.4)
Fair value of plan assets	69.7	86.2
Additional minimum funding requirement	(0.7)	-
Net defined benefit liability	**(0.6)**	**(0.2)**

BDO does not have the unconditional right to the surplus asset in the BDO ES (Manchester) scheme of £0.7m, therefore has recognised an additional minimum funding requirement of this value through the statement of comprehensive income.

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 30 June 2023 (2022: £nil). The assets and liabilities of the DB section of the BDO Pension Scheme have been valued for IAS 19 purposes by a qualified actuary from Broadstone Pensions & Investments Limited on 30 June 2023. 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 (2022: £nil).

In addition, the Group pays the costs of administering the Scheme. The ongoing mandatory 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.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

18. Pensions (continued)

BDO ES pension schemes

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

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

There are no outstanding or prepaid contributions to these arrangements as at 30 June 2023 (2022: £nil).

The assets and liabilities of the BDO ES Pension Schemes have been valued for IAS 19 purposes by a qualified actuary from Broadstone Pensions & Investments Limited on 30 June 2023.

In addition, the Group pays the costs of administering the Scheme. The ongoing mandatory contribution level has been agreed to be £1.1m per annum as a result of the formal Actuarial valuation of the Scheme. This recovery plan concluded in September 2023. This valuation was conducted under the new Scheme Funding Regulations (Pensions Act 2004) as at 30 June 2021 by Broadstone Pensions and Investments Limited. 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 next triennial valuations are currently in progress and will be included in the 2024 annual report.

Defined contribution arrangement

In the period the Group paid £nil contributions (2022: £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 CMI2022 projection tables subject to a long-term rate of improvement of 1% pa.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

18. Pensions (continued)

Key actuarial assumptions	30 June 2023 (%)	01 July 2022 (%)
Discount rate	**5.2**	3.5
Rate of inflation - RPI	**3.6**	3.5
Rate of inflation - CPI	**3.1**	2.9
Commutation - Percentage of pension	**20.0**	20.0

Life expectancies from age 65	30 June 2023 (years)	01 July 2022 (years)
Male currently aged 65	**85.7**	86.2
Female currently aged 65	**88.1**	88.6
Male currently aged 45	**86.6**	87.2
Female currently aged 45	**89.3**	89.8

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)
30 June 2023			
0.1% p.a. decrease in the discount rate	0.4	0.3	**0.7**
0.1% p.a. increase in the assumed rates of inflation	0.1	-	**0.1**
0.5% increase in the assumed long term rate of mortality improvements	0.4	0.2	**0.6**
01 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	-	**0.2**
0.5% increase in the assumed long term rate of mortality improvements	0.6	0.3	**0.9**

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

18. Pensions (continued)

Reconciliation of funded status to statement of financial position	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
30 June 2023			
Defined benefit obligation	(41.9)	(27.7)	**(69.6)**
Fair value of plan assets	40.5	29.2	**69.7**
Additional minimum funding requirement	-	(0.7)	**(0.7)**
Net defined benefit liability	(1.4)	0.8	**(0.6)**
01 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)**

Reconciliation of defined benefit obligation over the period	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
30 June 2023			
Defined benefit obligation at the start of the period	(52.6)	(33.8)	**(86.4)**
Interest expense on defined benefit obligation	(1.8)	(1.1)	**(2.9)**
Remeasurement - experience adjustment gain/(loss)	1.1	(0.1)	**1.0**
Remeasurement - changes in financial assumptions gain	8.6	4.9	**13.5**
Remeasurement - changes in demographic assumptions gain	0.7	0.5	**1.2**
Benefits paid	2.1	1.9	**4.0**
Defined benefit obligation at the end of the period	(41.9)	(27.7)	**(69.6)**
01 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)**

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

18. Pensions (continued)

Assets	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
30 June 2023			
Equities and property	2.2	1.6	**3.8**
Bonds	26.6	21.3	**47.9**
Multi-asset	1.0	0.6	**1.6**
Diversified funds	5.0	3.2	**8.2**
Liability driven investment	2.9	-	**2.9**
Other assets	1.1	0.4	**1.5**
Annuity policies	1.7	2.1	**3.8**
	40.5	**29.2**	**69.7**
01 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**

Reconciliation of fair value of plan assets over the period	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
30 June 2023			
Fair value of plan assets at the start of the period	53.2	33.0	**86.2**
Interest income on plan assets	1.8	1.0	**2.8**
Remeasurement - return on plan assets excluding interest income	(12.4)	(4.0)	**(16.4)**
Contributions by the employer	-	1.1	**1.1**
Benefits paid	(2.1)	(1.9)	**(4.0)**
Fair value of plan assets at the end of the period	**40.5**	**29.2**	**69.7**
Return on plan assets	**(10.6)**	**(3.0)**	**(13.6)**
01 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)**

Notes to the financial statements

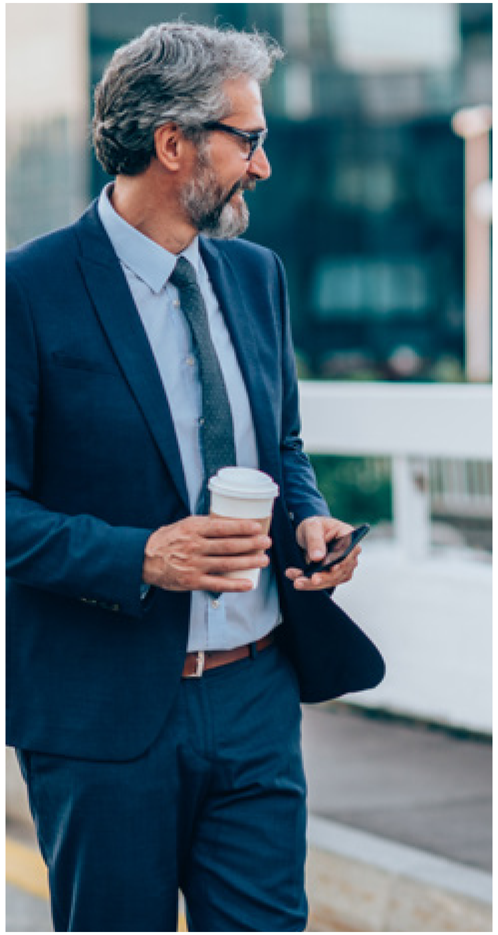
For the 52 weeks ended 30 June 2023 (continued)

18. Pensions (continued)

Reconciliation of funded position	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
30 June 2023			
Net defined benefit liability at start of period	0.6	(0.8)	**(0.2)**
Expense recognised in income statement	-	(0.1)	**(0.1)**
(Loss)/gain recognised in statement of comprehensive income	(2.0)	1.3	**(0.7)**
Contributions by the employer	-	1.1	**1.1**
Additional minimum funding requirement	-	(0.7)	**(0.7)**
Net defined benefit liability at end of period	**(1.4)**	**0.8**	**(0.6)**
01 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)**
Gain 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)**

Analysis of charge to income statement

30 June 2023			
Net interest expense on net defined benefit liability	-	(0.1)	(0.1)
	-	**(0.1)**	**(0.1)**
01 July 2022			
Net interest expense on net defined benefit liability	-	(0.1)	(0.1)
	-	**(0.1)**	**(0.1)**



Remeasurements recognised in statement of comprehensive income	BDO pension (£m)	BDO ES pension (£m)	Total (£m)
30 June 2023			
Remeasurement - experience adjustments gain/(loss)	1.1	(0.1)	**1.0**
Remeasurement - changes in financial assumptions gain	8.6	4.9	**13.5**
Remeasurement - changes in demographic assumptions gain	0.7	0.5	**1.2**
Remeasurement - return on plan assets excl. interest income loss	(12.4)	(4.0)	**(16.4)**
Additional minimum funding requirement	-	(0.7)	**(0.7)**
Total (loss)/gain recognised in statement of comprehensive income	**(2.0)**	**0.6**	**(1.4)**
01 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**

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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 cash equivalents 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 are 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, typically only independently rated parties with minimum rating "A" are accepted. The Group's principal bankers and their current long-term Fitch credit ratings are shown below:

	At 30 June 2023	At 01 July 2022
Natwest Group PLC	A	A
Lloyds Banking Group PLC	A	A+
HSBC Holdings PLC	A+	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 have resulted in an additional income statement charge of £0.1m (2022: £nil). This is expected to be a similar value during the 2024 financial year.

Foreign exchange risk

Foreign exchange risk arises when the Group enters into transactions denominated in a currency other than its functional currency (pound sterling). The major part of the Group's and LLP's income and expenditure is in pound 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 30 June 2023 totalled £100m (2022: £100m). The Group facilities were increased to £100m and extended in September 2021 with three leading banks, expiring in October 2024. Two one-year extensions have now been exercised bringing the expiry of the agreement to October 2026.

During the year the group utilised its revolving credit facility to satisfy short-term liquidity requirements. During the period the largest utilised value was £54m (2022: £30m).

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

19. Financial instruments - risk management (continued)

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

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 30 June 2023					
Trade and other payables	59.4	-	-	**59.4**	**59.4**
Amounts due to former members	13.5	1.9	-	**15.4**	**15.4**
Lease liabilities	19.9	61.6	5.5	**87.0**	**83.5**
Members' capital	-	-	1.6	**1.6**	**1.6**
Amounts due to members	-	225.7	-	**225.7**	**225.7**
	92.8	**289.2**	**7.1**	**389.1**	**385.6**
At 01 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**

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 30 June 2023					
Trade and other payables	66.5	-	-	**66.5**	**66.5**
Amounts due to former members	13.5	1.9	-	**15.4**	**15.4**
Lease liabilities	15.1	47.2	-	**62.3**	**60.2**
Members' capital	-	-	1.6	**1.6**	**1.6**
Amounts due to members	-	225.7	-	**225.7**	**225.7**
	95.1	**274.8**	**1.6**	**371.5**	**369.4**
At 01 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**

Amounts due to known retiring members are included in 'amounts due to former members'. The contractual maturities are in accordance with the member agreement. A significant portion of amounts due to members would usually be distributed in the following year, however the Leadership Team has the right to defer distributions to members. These balances have therefore been excluded from the 'within one year' category.

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (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 02 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 01 July 2022	-	-	103.3	1.4	219.3
Capital contributions by members	-	-	-	0.3	11.0
Capital repayments to members	-	-	-	(0.1)	(3.3)
Lease liability paid	-	-	(19.2)	-	-
Payment to former members	-	-	-	-	(14.2)
Payment to members	-	-	-	-	(199.8)
Net interest paid	-	(1.1)	(1.5)	-	-
Other non-cash movements*	-	1.1	0.9	-	228.1
At 30 June 2023	**-**	**-**	**83.5**	**1.6**	**241.1**

LLP	Current borrowings (£m)	Lease liability (£m)	Members capital (£m)	Amounts due to current and former members (£m)
At 02 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 01 July 2022	-	75.0	1.4	219.3
Capital contributions by members	-	-	0.3	11.0
Capital repayments to members	-	-	(0.1)	(3.3)
Lease liability paid	-	(15.0)	-	-
Payment to former members	-	-	-	(14.2)
Payment to members	-	-	-	(198.3)
Net interest paid	(1.1)	(1.1)	-	-
Other non-cash movements*	1.1	1.3	-	226.6
At 30 June 2023	**-**	**60.2**	**1.6**	**241.1**

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

Notes to the financial statements

For the 52 weeks ended 30 June 2023 (continued)

21. Deferred tax

Group	30 June 2023 (£m)	01 July 2022 (£m)
Balance of deferred tax liabilities at end of period	**(2.1)**	**(1.3)**

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At 30 June 2023, 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 30 June 2023 (2022: 25%).

There was no deferred tax arising in the LLP for the year to 30 June 2023 (2022: £nil).

22. Post balance sheet events

No post balance sheet events that would materially affect the 2023 financial year have occurred up to the date of signing the annual report.

FOR MORE INFORMATION:

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23-11-3682