BDO LLP

Report to the Members and
Group Financial Statements

52 weeks ended
3 July 2015

Registered number: OC305127

BDO LLP

Report to the members and group financial statements for the 52 weeks ended 3 July 2015

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Registered office

55 Baker Street, London, W1U 7EU.

Registered number

OC305127

Independent Auditors

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

BDO LLP

Report to the members for the 52 weeks ended 3 July 2015

I am very pleased to present the report of the members together with the audited consolidated financial statements of BDO LLP, for the 52 weeks ended 3 July 2015.

A year of sustainable growth and business investment

Key highlights

- BDO UK now approaching a £400m business
- 2% growth in revenues in the last year
- 40% growth over the last three years, a combination of the merger with PKF and organic growth
- Tax growth of 20%
- Audit growth of 2.5%
- Audited more AIM companies than anyone else and leading reporting accountant for AIM IPOs
- Launched BDO InTouch, our new service underpinned by cloud accounting technology, and BDO Advantage, our data analytics tool
- Nine new partners and over 500 employees promoted internally
- 324 trainees, including 88 school leavers, joined BDO in the last financial year
- Number one for exceptional client service for the fourth year running
- Investment in three new offices - Norwich, Cambridge and Guildford

The BDO story of the last year has been one of sustainable growth, investment in our business and people, and leading our profession in standards of client service.

With confidence slowly returning to the economy, our business has continued to grow. Our merger with PKF has seen us grow by 40% over the last three years and, over the last 12 months, we consolidated those gains and returned to single digit growth. Overall, in the last year, our revenue grew by 2% to £391million.

Our tax business was a major contributor to that growth with revenues increasing by 20% to £119million, revealing BDO as the fastest growing tax practice of the ten leading UK accountancy firms.

The domestic audit market has remained fairly static but, despite this, we saw growth and increased our revenues by 2.5% to £132million. Our merger increased our sector capabilities which has meant being able to attract new clients in more diverse areas.

It was a mixed year for our advisory teams with variable growth across the business, resulting in an 11% contraction. Areas such as valuations, tax investigations and global outsourcing have all seen profitable growth. Transaction services had a particularly strong year and, for the fourth year running, BDO is the leading reporting accountant for AIM IPOs.

Other parts of our advisory business faced more challenges. As the economy improved, the wider business restructuring market contracted and a number of significant projects completed during the year resulting in reduced volumes. And whilst the Financial Services sector has continued to be an area of investment for BDO, we have seen slower growth than expected. We have responded to these market changes for the future, by refocusing our effort and ensuring we are well-resourced for further major projects.

Trends in the marketplace

A solid balance sheet means we can respond to market changes by investing in our business.

Technology is transforming accountancy and we are investing to bring these advances to our clients. This year we launched BDO InTouch - a new service, underpinned by cloud accounting technology - enabling clients to be connected to business performance information at all times.

Data analytics, big data, benchmarking and insight tools will continue to be a big focus for us. In a digital world, clients are demanding more value from their advisers. Investment in this area will allow us to deliver more to our clients.

Exceptional client service delivered by talented and motivated people

We work in a profession where anticipating client needs, adding value and demonstrating expertise is the foundation for success. Investing in technology is part of the solution; as is investment in infrastructure, where this year we relocated our people in Norwich, Cambridge and Guildford into brand new office space. The other, more fundamental element is having talented and passionate people who go the extra mile for our clients.

Because of this we are proud that the independent Mid-Market Monitor has rated us as number one for client service for the fourth year running. This accolade is a testament to the hard work and dedication of all our people.

We want to maintain this enviable position and so are investing significantly in retention and recruitment. This year we appointed nine new partners and promoted over 500 people from within our business. We also welcomed 324 new trainees to our business and our profession. We continue to recruit school-leavers, with 88 of our trainees coming to us straight from A-Levels. Gender balance is also high on our agenda: we have increased senior female representation among our management group; our new approach to maternity has resulted in more women returning to - and staying with - us following maternity leave; and we are working with every business unit to achieve our gender balance ambitions by 2020.

Championing the mid-market at home and abroad

Whilst having the ambition, capabilities and people to serve the FTSE 350, our heartland remains the mid-market.

As well as serving the UK mid-market we also champion their cause. We are campaigning for a bigger role for the mid-market in the UK - a vital but overlooked piece of the puzzle in the Government's objective to create a balanced and sustainable UK economy.

The UK's mid-market accounts for less than 1% of all firms but delivers more than 33% of the UK's revenue (over £1trillion) and 1 in 4 jobs. Our 'New Economy' campaign this year will promote policies that will help the UK mid-market flourish, create investment in regional economies and help improve exports and international trade.

We also lead the mid-market globally. International business is a key opportunity for us and continues to be a significant source of income with clients ambitious to expand abroad. Our international network has revenues over £7billion and now operates across 152 countries and territories. In the previous financial year our international network grew by nearly 9% and we continue to grow both through acquisition and organically. When it comes to supporting the mid-market across the world, we are in a market of one. Despite global uncertainty, this year our clients have been doing more business overseas and we are well placed to support their growth.

Facing the future with confidence

In the year ahead, there continues to be uncertainty in the external marketplace, be that a sluggish outlook in the global economy or the EU referendum at home. However, we will continue to see solid growth into 2016 powered by our willingness to invest in our business and by providing exceptional client service by empowered and committed people.

Principal activities, significant changes and future developments

The principal activity of BDO LLP (the 'LLP') is the provision of professional services to clients.

The consolidated financial statements comprise the financial statements of the LLP together with its subsidiary undertakings (the 'Group'). The subsidiary undertakings of the LLP are set out in note 10 to the financial statements. The LLP is the UK representative firm of BDO International, a worldwide network of accountancy firms, serving national and international clients. Each BDO Member Firm is an independent legal entity in its own country.

BDO International's UK territory includes Northern Ireland. A separate firm operates in Northern Ireland under the name 'BDO'. This firm is not part of the Group and accordingly the results of the Northern Ireland firm are not included within the LLP's consolidated financial statements. If the Northern Ireland firm's turnover is added to the Group's turnover for the financial period including share of joint ventures, the resulting national turnover is £400m (2014 - £392m).

Results

The Group's consolidated profit and loss account for the 52 weeks ended 3 July 2015 is set out on page 8. The comparative period is for the 52 weeks ended 4 July 2014.

Designated members

The following individuals were designated members at the end of the financial period and served for the entire period unless otherwise stated:

Mark Bomer
Paul Eagland
Martin Goodchild
Jeff Jones (resigned 1 May 2015)
Scott Knight
Gervase Macgregor
Simon Michaels
Mark Sherfield
Calum Stewart

Members' profit shares

Members are remunerated out of the profits of the LLP and are personally responsible for funding for their retirement.

The Leadership Team sets members' profit shares and reviews the allocation on an annual basis. A proportion of profit is divided through the period based on the annual allocations.

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

The final allocation of profits is made after taking into account a variable third tranche (that may be awarded for exceptional performance or severance payments) and after the annual financial statements have been approved by the members. There is transparency amongst the members of the total profit share divided between each individual.

The taxation payable on the LLP's profits is a personal liability of the members during the period. Retention from profits earned up to the balance sheet date is made to fund payment of taxation on members' behalf. This is reflected in members' interests.

Members' capital and loan capital

Contributions to capital and loan capital are made by members in such sums as are recommended by the Leadership Team and approved by the Partnership Council. Members' capital and loan capital are repayable on retirement from the LLP.

Amounts due to former members

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

Drawings

The policy for members' drawings is to distribute the majority of profit during the financial period, taking into account the need to retain sufficient funds to settle members' income tax liabilities and to finance the working capital and other needs of the business. The Leadership Team sets the level of members' monthly drawings and reviews this at least annually.

The Leadership Team has a reasonable expectation that the LLP has adequate financial resources to meet its operational needs for the foreseeable future and 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 Report to Members and Group 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 period. Under that law the members have elected to prepare the group and parent LLP financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the LLP and of the profit or loss of the group for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP and group will continue in business.

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

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

On behalf of the Leadership Team

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Simon Michaels
Managing Partner

30 September 2015

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the group's and of the limited liability partnership's affairs as at 3 July 2015 and of the group's profit and cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

What we have audited

The financial statements comprise:

- the Consolidated and LLP balance sheets as at 3 July 2015;
- the Consolidated profit and loss account and the Consolidated statement of total recognised gains and losses for the period then ended;
- the Consolidated cash flow statement for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or

- adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or

- the limited liability partnership financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the members

As explained more fully in the Statement of members' responsibilities in respect of the financial statements set out on page 4, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Report to the Members and Group Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London
30 September 2015

BDO LLP

Consolidated profit and loss account for the 52 weeks ended 3 July 2015

	Note	52 Weeks ended 3 July 2015 £m	53 Weeks ended 4 July 2014 £m
Turnover			
Continuing operations	2	390.7	384.2
Other operating income		5.9	5.6
Other external charges: expenses and disbursements on client assignments		(17.6)	(16.2)
Net turnover		379.0	373.6
Operating expenses		(311.3)	(295.5)
Group operating profit	4	67.7	78.1
Finance charges - net	5	(0.9)	(1.3)
Profit on ordinary activities before taxation		66.8	76.8
Tax on profit on ordinary activities	6	(3.4)	(3.5)
Profit for the financial period before Members' remuneration charged as an expense		63.4	73.3
Members' remuneration charged as an expense		(1.1)	(1.1)
Profit for the financial period available for discretionary division among members	15	62.3	72.2

Consolidated statement of total recognised gains and losses for the 52 weeks ended 3 July 2015

	Note	52 weeks ended 3 July 2015 £m	53 weeks ended 4 July 2014 £m
Profit for the financial period available for discretionary division among members		**62.3**	72.2
Pension scheme net actuarial loss	15, 22	**(8.3)**	(2.8)
Foreign exchange (loss)/gain on retranslation	15	**(0.3)**	0.5
Total recognised gains and losses relating to the financial period		**53.7**	69.9

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents.

BDO LLP

Consolidated balance sheet as at 3 July 2015

	Note	2015 £m	2015 £m	2014 £m	2014 £m
Fixed assets					
Intangible assets	8		6.7		9.4
Tangible assets	9		28.4		29.0
Investments	10		2.1		2.0
			37.2		40.4
Current assets					
Debtors	11	149.8		162.9	
Cash at bank and in hand		24.3		28.5	
		174.1		191.4	
Creditors: amounts falling due within one year	12	(75.6)		(87.3)	
Net current assets			98.5		104.1
Total assets less current liabilities			135.7		144.5
Creditors: amounts falling due after more than one year	13		(22.6)		(29.8)
Provision for liabilities	14		(14.7)		(19.2)
Net assets excluding pension liability			98.4		95.5
Pension liability	22		(8.2)		(2.7)
Net assets attributable to members			90.2		92.8
Represented by:					
Loans and other debts due to members	15				
Members' capital classified as a liability			1.1		1.2
Other amounts			88.2		83.9
Members' other interests - other reserves	15		0.9		7.7
			90.2		92.8

	Note		2015 £m		2014 £m
Total members' interests					
Loans and other debts due to members	15		89.3		85.1
Members' other interests	15		0.9		7.7
			90.2		92.8

The financial statements on pages 8 to 41 were approved and authorised for issue on 30 September 2015 and signed on behalf of the members of BDO LLP by:

Simon Michaels
Managing Partner

Calum Stewart
Finance Partner

LLP balance sheet as at 3 July 2015

Registered number: OC305127

	Note	2015 £m	2015 £m	2014 £m	2014 £m
Fixed assets					
Intangible assets	8		0.2		0.4
Tangible assets	9		24.4		27.9
Investments	10		5.2		7.2
			29.8		35.5
Current assets					
Debtors	11	166.0		168.8	
Cash at bank and in hand		17.1		23.7	
		183.1		192.5	
Creditors: amounts falling due within one year	12	(82.8)		(92.6)	
Net current assets			100.3		99.9
Total assets less current liabilities			130.1		135.4
Creditors: amounts falling due after more than one year	13		(22.4)		(29.8)
Provision for liabilities	14		(9.5)		(14.0)
Net assets excluding pension liability			98.2		91.6
Pension liability	22		(8.2)		(2.7)
Net assets attributable to members			90.0		88.9
Represented by:					
Loans and other debts due to members	15				
Members' capital classified as a liability			1.1		1.2
Other amounts			85.3		85.9
Members' other interests - other reserves	15		3.6		1.8
			90.0		88.9

	Note	2015 £m	2015 £m	2014 £m	2014 £m
Total members' interests					
Loans and other debts due to members	15		86.4		87.1
Members' other interests	15		3.6		1.8
			90.0		88.9

The financial statements on pages 8 to 41 were approved and authorised for issue on 30 September 2015 and signed on behalf of the members of BDO LLP by:

As permitted by section 408 of the Companies Act 2006 no separate profit and loss account is presented for the LLP.

Simon Michaels
Managing Partner

Calum Stewart
Finance Partner

BDO LLP

Consolidated cash flow statement for the 52 weeks ended 3 July 2015

	Note	52 weeks ended 3 July 2015	53 weeks ended 4 July 2014
		£m	£m
Net cash inflow from operating activities	19	**81.4**	70.9
Returns on investments and servicing of finance	20	**(2.1)**	(2.2)
Taxation	20	**(3.8)**	(3.0)
Capital expenditure and financial investment	20	**(6.5)**	(1.3)
Acquisitions and disposals	20	**0.4**	0.1
Transactions with members and former members	20	**(57.6)**	(49.0)
Cash inflow before financing		**11.8**	15.5
Financing	20	**(7.0)**	(7.3)
Increase in net cash in the period	21	**4.8**	8.2

1 Accounting policies

The principal accounting policies used in the preparation of the financial statements for the 52 weeks ended 3 July 2015 are as follows:

Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 as applied to Limited Liability Partnerships and applicable accounting standards in the United Kingdom and in accordance with the Statement of Recommended Practice 'Accounting by Limited Liability Partnerships' (SORP). The financial statements are prepared on a going concern basis and the accounting policies are consistently applied.

Basis of consolidation

The financial statements consolidate the results and financial position of the LLP and all its subsidiary undertakings, other than where the members consider that 'severe long-term restrictions' exist over the Group's control of a subsidiary such that consolidation is not permitted under FRS 2, 'Accounting for subsidiary undertakings'. Profits or losses on intra-group transactions have been eliminated.

Uniform accounting policies have been applied across the Group.

Turnover

Turnover represents the fair value of professional services provided during the period to clients. Turnover is recognised as contract activity progresses and the right to consideration is earned. Fair value reflects the amount expected to be recoverable from clients and is based on time spent, skills and expertise provided and expenses incurred, but excludes VAT.

Turnover in respect of contingent fee assignments (over and above any agreed minimum fee which is recognised as above) is recognised in the period when the contingent event occurs and the fee is assured.

Turnover which has been recognised but not invoiced by the balance sheet date is included in debtors in 'accrued income'. Amounts invoiced in advance are included in 'accruals and deferred income'.

Other operating income

Other operating income represents rental income from sub-letting land and buildings to third parties along with related property recharges and other income that does not fall into the category of turnover.

1 Accounting policies (continued)

Goodwill

Goodwill arises on acquisitions and represents the excess of the fair value of the consideration given and associated costs over the fair value of the identifiable assets and liabilities acquired. Goodwill is capitalised and written off on a straight line basis over its expected useful economic life and provision is made for any impairment in value. The expected useful economic life of goodwill is assessed for each acquisition individually and is currently written off over periods of up to ten years.

Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation.

The cost of tangible fixed assets is written off by equal annual instalments over their expected useful lives. 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 tangible fixed assets are as follows:

Leasehold improvements	Five to fifteen years, or the life of the lease if lower
Fixtures, fittings and computer equipment	Three to ten years
Motor vehicles	18.75% per annum of cost for the first four years and 6.25% per annum of cost for the next four years. Vehicles recognised on business combination with PKF at 25% per annum.

Leases

Any lease which entails taking substantially all the risks and rewards of ownership of an asset is treated as a finance lease, as detailed in SSAP 21 'Accounting for leases and hire purchase contracts'. The asset is recorded as a tangible fixed asset at its fair value and depreciated over its estimated useful life, or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rental payments are apportioned between the interest element, which is charged to the profit and loss account, and the capital element, which reduces the outstanding obligation for future instalments.

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease. Operating lease incentives are spread over the shorter of the lease term and the period ending on the date from which it is expected that a prevailing market rent will be payable.

Income from operating leases is credited to the profit and loss account on a straight-line basis over the period of the lease. Operating lease incentives given are spread over the shorter of the lease term and the period ending on the date from which it is expected that a prevailing market rent will be payable.

1 Accounting policies (continued)

Fixed asset investments

Fixed asset investments are included at cost less any provision required for permanent diminution in value to reflect estimated net realisable value. Impairment reviews are carried out by the members when there has been an indication of potential impairment.

Debtors and other receivables

Debtors and other receivables are initially recognised at fair value and are subsequently reduced for estimated irrecoverable amounts.

Creditors

Creditors are initially recognised at fair value and are subsequently reduced for discounts given by suppliers.

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 balance sheet date and the gains and losses on translation are included in the profit and loss account.

For consolidation purposes the assets and liabilities of overseas subsidiaries and joint ventures are translated into sterling at closing exchange rates. Profit and loss accounts of such undertakings are consolidated at average rates of exchange during the period. Exchange differences arising on these translations are taken to reserves.

Taxation

The taxation payable on the LLP's profits is a personal liability of the members during the period. Retention from profits earned up to the balance sheet date is made to fund payment of taxation on members' behalf. This is reflected in members' interests.

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

Deferred tax is provided in full at tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, in respect of taxation of the subsidiary companies that is deferred by temporary timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax balances are not discounted. Deferred tax assets are recognised where recoverability is reasonably certain.

The retention for taxation, which is included within members' interests, in the LLP also takes into account taxation recoverable or payable by the members, but deferred because of timing differences between the treatment of certain items for taxation and that for accounting purposes. Such provision is made to the extent that it is considered material in the context of the need to maintain an equitable treatment between members from year to year.

1 Accounting policies (continued)

Professional indemnity insurance

Provision is made on a case-by-case basis in respect of the cost of defending claims and, where appropriate, the estimated cost of settling claims where such costs are not covered by insurance. Outstanding claims are reviewed each year and adjustments to provisions are made as appropriate in the current year.

In common with comparable businesses, the Group is involved in a number of disputes in the ordinary course of business, which may give rise to claims. The Group carries professional indemnity insurance and no separate disclosure is made of the cost of claims covered by insurance as to do so could seriously prejudice the position of the Group.

Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements, but are disclosed unless they are remote.

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.

Provision has been made for all future onerous net rental costs relating to properties which are not used by the Group and annual costs are charged against this provision, with any difference between the estimated and actual costs being taken to the profit and loss account.

Allocation of profits and drawings

The Leadership Team sets the level of profit allocation on an annual basis, and considers this level of allocation to set the members' monthly drawings after considering the LLP's working capital needs. Profit is formally divided amongst members throughout the year. Members' profit shares may be adjusted in the light of annual performance reviews. The final allocation of profits is made after taking into account a variable third tranche (that may be awarded for exceptional performance or severance payments) and after the annual financial statements have been approved by the members.

Where members are also directors of the group's Channel Island offices, they are paid a salary which is treated as members' remuneration charged as an expense to the profit and loss account.

Any unallocated profits are included in 'Members' other interests - other reserves'.

1 Accounting policies (continued)

Pensions

The Group operates defined benefit and defined contribution schemes, along with Group Personal Pension arrangements. 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 FRS 17 'Retirement 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 FRS 17. The Group's profit and loss account includes the expected return on scheme assets and the interest cost on scheme liabilities. Actuarial gains and losses are recognised directly to members' interests through the statement of total recognised gains and losses.

Staff pension costs relating to the Group's defined contribution scheme and Group personal pension arrangements are charged to the profit and loss account 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.

2 Segmental analysis

Business Analysis by stream

	Turnover		Operating profit		Net operating assets	
	2015	2014	2015	2014	2015	2014
	£m	£m	£m	£m	£m	£m
Continuing operations						
Audit	**131.7**	128.5	**23.8**	25.3	**31.2**	32.7
Advisory	**140.2**	156.7	**14.8**	29.1	**51.7**	66.7
Tax	**118.8**	99.0	**32.8**	27.7	**35.1**	32.0
	390.7	384.2	**71.4**	82.1	**118.0**	131.4
Unallocated	**-**	-	**(3.7)**	(4.0)	**(27.8)**	(38.6)
	390.7	384.2	**67.7**	78.1	**90.2**	92.8

All of the Turnover arose from continuing operations in the UK.

Net operating assets attributable to the business streams include property related assets and liabilities, net client receivables, accrued income, provisions for foreseeable losses and specific staff liabilities. All other assets and liabilities including balances with partners, cash and debt, goodwill, 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.

3 Employees and members

	2015 £m Group	2014 £m Group
Staff costs (excluding members) consist of:		
Wages and salaries	**165.4**	152.7
Settlement costs	**4.1**	1.1
Social security costs	**17.9**	16.5
Other pension costs	**6.5**	6.5
	193.9	176.8

The average number of employees (excluding members) was:

	2015 Number Group	2014 Number Group
Audit	**1,344**	1,224
Advisory	**806**	836
Tax	**677**	613
Central Support	**490**	497
	3,317	3,170

The LLP did not incur any employment costs (excluding members) in the financial period and did not employ any staff during the financial period.

The average number of members was 227 (2014 - 245). Certain members received £1.1m in respect of their services to the Group (2014: £1.1m), which has been charged to the profit and loss account as members' remuneration charged as an expense.

4 Group operating profit

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

	2015 £m	2014 £m
Depreciation of tangible fixed assets - owned	**5.7**	6.0
Depreciation of tangible fixed assets - under finance leases	**1.1**	1.3
Loss on disposal of tangible fixed assets	**0.5**	0.1
Amortisation of goodwill - subsidiaries	**2.5**	2.3
(Profit)/loss on disposal of intangibles	**(0.2)**	0.1
Operating lease rentals - plant and machinery	**1.1**	0.7
Operating lease rentals - land and buildings	**21.8**	20.8

	2015 £m	2014 £m
Services provided by and fees payable to the Group's auditors:		
Audit of the LLP and consolidated financial statements	**0.1**	0.1
Audit of the Group's subsidiaries pursuant to legislation	**0.1**	0.1
	0.2	0.2

Group operating profit is stated after crediting income received through sub-letting land and buildings of £4.2m (2014: £3.6m).

5 Finance charges (net)

	2015 £m	2014 £m
Interest Payable:		
Bank loans and overdrafts	**2.0**	2.1
Finance charges on leased assets	**0.1**	0.1
Interest cost on pension liabilities (note 22)	**3.5**	3.8
	5.6	6.0
Interest Receivable:		
Expected return on pension assets (note 22)	**(4.7)**	(4.7)
	(4.7)	(4.7)
Net Finance Charges	**0.9**	1.3

6 Tax on profit on ordinary activities

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, although the LLP aims to retain sufficient funds to settle members' income tax liabilities in relation to their share of profit for the period.

Corporation tax arises in corporate subsidiaries as follows:

	2015 £m	2014 £m
Current tax	**3.4**	3.5
Total tax on profit on ordinary activities	**3.4**	3.5
Factors affecting the tax charge for the period:		
Profit on ordinary activities of corporate subsidiaries before taxation	**26.8**	9.5
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax in the UK of 20.75% (2014 - 22.5%)	5.6	2.1
Impact of items not deductible for tax purposes	0.4	0.4
Transfer pricing charge	-	0.9
Short term timing differences	0.1	0.1
Income not subject to taxation	(2.7)	-
Total current UK tax charge	**3.4**	3.5

7 Profit for the financial period

The LLP has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group result for the period, includes the profit available for discretionary division among members of the LLP for the period of £65.0m (2014 - £66.6m).

8 Intangible fixed assets - Goodwill

Group	Group £m	LLP £m
Cost		
At 4 July 2014	33.3	0.4
Disposals	(0.2)	(0.2)
At 3 July 2015	**33.1**	**0.2**
Accumulated amortisation		
At 4 July 2014	23.9	-
Charge for the period	2.5	-
Disposals	-	-
At 3 July 2015	**26.4**	-
Net book value		
At 3 July 2015	**6.7**	**0.2**
At 4 July 2014	9.4	0.4

9 Tangible fixed assets

Group

	Freehold Property £m	Leasehold improvements £m	Fixtures, fittings and computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 4 July 2014	2.0	36.7	14.6	3.7	57.0
Additions	-	1.6	5.8	0.1	7.5
Disposals	-	(0.8)	(0.7)	(1.2)	(2.7)
At 3 July 2015	**2.0**	**37.5**	**19.7**	**2.6**	**61.8**
Accumulated depreciation					
At 4 July 2014	0.2	16.9	9.1	1.8	28.0
Charge for the period	-	2.9	3.5	0.4	6.8
Disposals	-	(0.5)	(0.4)	(0.5)	(1.4)
At 3 July 2015	**0.2**	**19.3**	**12.2**	**1.7**	**33.4**
Net book value					
At 3 July 2015	**1.8**	**18.2**	**7.5**	**0.9**	**28.4**
At 4 July 2014	1.8	19.8	5.5	1.9	29.0

9 Tangible fixed assets (continued)

LLP	Freehold Property £m	Leasehold improvements £m	Fixtures, fittings and computer equipment £m	Motor vehicles £m	Total £m
Cost					
At 4 July 2014	1.0	36.2	14.1	3.7	55.0
Additions	-	0.6	4.2	0.1	4.9
Disposals	-	(0.8)	(0.5)	(1.2)	(2.5)
Transfers to other group entity	-	-	(6.0)	-	(6.0)
At 3 July 2015	**1.0**	**36.0**	**11.8**	**2.6**	**51.4**
Accumulated depreciation					
At 4 July 2014	-	16.4	8.9	1.8	27.1
Charge for the period	-	2.9	1.9	0.4	5.2
Disposals	-	(0.5)	(0.4)	(0.5)	(1.4)
Transfers to other group entity	-	-	(3.9)	-	(3.9)
At 3 July 2015	**-**	**18.8**	**6.5**	**1.7**	**27.0**
Net book value					
At 3 July 2015	**1.0**	**17.2**	**5.3**	**0.9**	**24.4**
At 4 July 2014	1.0	19.8	5.2	1.9	27.9

Included in the total net book value of fixtures, fittings and computer equipment for the Group is £0.6m (2014 - £1.5m) in respect of assets held under finance leases. The depreciation charge for the period on such assets was £1.1m (2014 - £1.3m).

Certain assets within fixtures, fittings and computer equipment were transferred at Net Book Value between group entities.

10 Fixed asset investments

	2015 £m Group	2014 £m Group	2015 £m LLP	2014 £m LLP
Shares in Group undertakings:				
At beginning of period	-	-	5.2	3.7
Additions	-	-	-	1.5
At end of period	-	-	**5.2**	5.2
Other investments - ordinary shares:				
Cost				
At beginning and end of period	**0.1**	0.1	**0.1**	0.1
Provisions				
At beginning and end of period	-	-	-	-
Charge in period	**(0.1)**	-	-	-
Transfers to other group entity	-	-	**(0.1)**	-
At end of period	-	0.1	-	0.1
Other investments - preference shares:				
Cost				
At beginning of period	**3.4**	3.4	**3.4**	3.4
Transfer to other group entity			**(3.4)**	
Provisions				
At beginning of period	**(1.5)**	(1.5)	**(1.5)**	(1.5)
Release of provision	**0.2**	-	**0.2**	-
Transfer to other group entity	-	-	**1.3**	-
At end of period	**2.1**	1.9	-	1.9
Other investments - investment bonds:				
At beginning of period	-	0.2	-	0.2
Disposals	-	(0.2)	-	(0.2)
At end of period	-	-	-	-
Listed investments:				
Cost				
At beginning and end of period	**0.1**	0.1	**0.1**	0.1
Provisions				
At beginning and end of period	**(0.1)**	(0.1)	**(0.1)**	(0.1)
At end of period	-	-	-	-
Fixed asset investments at end of period	**2.1**	2.0	**5.2**	7.2

The market value of the listed investments held by the Group and the LLP was £nil (2014 - £nil). The members believe that the carrying value of the investments is supported by their underlying net assets. Ordinary and preference shares were transferred in period between group entities.

10 Fixed asset investments (continued)

The Group holds ordinary and preference shares representing a 14% equity stake in Broadstone Group Executive Limited (formerly Fitzwilliam Bidco Limited), a professional services company incorporated in England & Wales.

Subsidiary undertakings

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 and ordinary share capital held	Nature of business
SH Insurance Ltd	Guernsey	100%	Insurance
BDO LLP Ltd	England & Wales	100%	Professional services
BDO Services Ltd	England & Wales	100%	Professional services
BDO Ltd	Guernsey	100%	Professional services
Charles Street Properties Ltd	England & Wales	100%	Property services
Clinton Avenue Properties Ltd	England & Wales	100%	Property services
New Garden House Properties Ltd	England & Wales	100%	Property services
BDO Employment Services Ltd	England & Wales	100%	Professional services
Chiltern Tax Support for Professionals Ltd	England & Wales	100%	Professional services
BDO Nominees Ltd	England & Wales	100%	Nominee
New Garden House Pension Trustees Ltd	England & Wales	100%	Trustee
New Garden House Trustees Ltd	England & Wales	100%	Trustee
BDO Trustees Ltd	England & Wales	100%	Trustee
The Clients Trustee Company Ltd	England & Wales	100%	Trustee
TBW Trustees Ltd	England & Wales	100%	Trustee
BDO Pension Trustees Ltd	England & Wales	100%	Trustee
Stoy Hayward Properties	England & Wales	100%	Property services
Stoy Hayward Properties No. 2	England & Wales	100%	Property services

On 1 January 2012 the LLP purchased 100% of the share capital of BDO Limited, a member of the BDO Network based in Guernsey, for £1.1m. In addition, the LLP recognised a provision for contingent consideration of £0.9m, against which £0.7m was paid in the financial period, in final settlement, the remaining £0.2m, was released to profit and loss.

BDO Corporate Finance (Middle East) LLP ceased to trade on 31 December 2014 and was subsequently dissolved on 6 May 2015.

11 Debtors

	2015 £m Group	2014 £m Group	2015 £m LLP	2014 £m LLP
Trade debtors	**86.4**	89.4	**84.9**	88.0
Amounts owed by Group undertakings	**-**	-	**23.7**	15.2
Other debtors	**3.1**	6.1	**2.1**	2.6
Prepayments	**12.3**	13.6	**7.6**	9.4
Accrued income	**48.0**	53.8	**47.7**	53.6
	149.8	162.9	**166.0**	168.8

All amounts shown under debtors for the Group and LLP are expected to fall due for payment within one year. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

12 Creditors: amounts falling due within one year

	2015 £m Group	2014 £m Group	2015 £m LLP	2014 £m LLP
Bank overdrafts	**18.0**	27.0	**18.0**	27.0
Bank loans	**6.0**	6.0	**6.0**	6.0
Trade creditors	**6.4**	7.3	**2.2**	0.6
Amounts owed to group undertakings	**-**	-	**31.8**	31.9
Amounts owed to related parties (note 17)	**-**	0.5	**-**	0.5
Other taxation and social security	**15.2**	15.6	**10.3**	10.7
Corporation tax	**1.6**	2.0	**-**	-
Obligations under finance leases	**0.5**	0.9	**-**	0.9
Accruals and deferred income	**26.7**	27.3	**13.4**	14.3
Amounts due to former members and partners	**1.2**	0.7	**1.1**	0.7
	75.6	87.3	**82.8**	92.6

The bank loans and overdrafts are unsecured; obligations under finance leases are secured against the assets to which they relate. Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

13 Creditors: amounts falling due after more than one year

	2015 £m Group	2014 £m Group	2015 £m LLP	2014 £m LLP
Bank loans	**22.0**	28.0	**22.0**	28.0
Obligations under finance leases	**0.2**	0.6	**-**	0.6
Amounts due to former members and partners	**0.4**	1.2	**0.4**	1.2
	22.6	29.8	**22.4**	29.8

The bank loan is unsecured and is repayable in quarterly instalments of £1.5m from September 2013 with rates based upon sterling LIBOR at each quarter date.

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

The amounts due to former members and partners comprise the amounts repayable in accordance with the members' agreement.

Maturity of debt:

Group and LLP	2015 Loans £m	2014 Loans £m	2015 Finance leases £m	2014 Finance leases £m
More than one year but less than two years	**6.0**	6.0	**0.2**	0.5
More than two years but less than five years	**16.0**	18.0	**-**	0.1
More than five years	**-**	4.0	**-**	-
	22.0	28.0	**0.2**	0.6

14 Provisions for liabilities

Group	Annuities £m	Professional Indemnity £m	Property £m	Other £m	Total £m
At 4 July 2014	0.5	7.3	10.5	0.9	19.2
Utilisation of provision	(0.1)	(4.8)	(2.5)	(0.7)	(8.1)
(Credit)/charge to profit and loss account	-	3.2	0.6	(0.2)	3.6
At 3 July 2015	**0.4**	**5.7**	**8.6**	**-**	**14.7**

LLP	Annuities £m	Professional Indemnity £m	Property £m	Other £m	Total £m
At 4 June 2014	0.5	3.0	9.6	0.9	14.0
Utilisation of provision	(0.1)	(4.1)	(2.5)	(0.7)	(7.4)
(Credit)/charge to profit and loss account	-	2.6	0.5	(0.2)	2.9
At 3 July 2015	**0.4**	**1.5**	**7.6**	**-**	**9.5**

Annuities relate to former partners of the former general partnership. The majority of the annuities are for a fixed amount over a fixed period of time and therefore no actuarial assumptions are required. The provision is expected to be largely utilised over the next five years.

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.

The property provisions relate to net rental commitments on surplus properties and dilapidation costs and are expected to be utilised over periods of up to twenty years.

Provisions have been discounted where the effect of the time value of money is significant.

Other provisions relate to contingent consideration in relation to the acquisition of BDO Limited in 2012, which was settled in 2015.

15 Total members' interests

Group

	Members' other interests	Loans and other debts due to/from members		
	Other reserves £m	Members' capital £m	Other amounts £m	Total £m
At 4 July 2014	7.7	1.2	83.9	92.8
Members' remuneration charged as an expense	-	-	1.1	1.1
Profit for the period available for discretionary division among members	62.3	-	-	62.3
Pension scheme net actuarial loss	(8.3)	-	-	(8.3)
Foreign exchange on retranslation	(0.3)	-	-	(0.3)
Allocated profit	(60.5)	-	60.5	-
Introduced by members	-	-	2.4	2.4
Repaid to members	-	(0.1)	(7.2)	(7.3)
Amounts reclassified as amounts due to former members within creditors	-	-	(1.2)	(1.2)
Drawings and distributions	-	-	(51.3)	(51.3)
At 3 July 2015	**0.9**	**1.1**	**88.2**	**90.2**

15 Total members' interests (continued)

LLP

	Members' other interests	Loans and other debts due to/from members		
	Other reserves £m	Members' capital £m	Other amounts £m	Total £m
At 4 July 2014	1.8	1.2	85.9	88.9
Profit for the period available for discretionary division among members	65.0	-	-	65.0
Pension scheme net actuarial loss	(8.3)	-	-	(8.3)
Allocated profit	(54.9)	-	54.9	-
Introduced by members	-	-	2.4	2.4
Repaid to members	-	(0.1)	(7.2)	(7.3)
Amounts reclassified as amounts due to former members within creditors	-	-	(1.2)	(1.2)
Drawings and distributions	-	-	(49.5)	(49.5)
At 3 July 2015	**3.6**	**1.1**	**85.3**	**90.0**

The basis on which profits are allocated is described in Note 1.

The profit share of the highest paid member was £0.8m (2014: £0.8m).

Members' interests are subordinated to bank borrowings. Loans and other debts due to members, incorporating members' capital and other amounts, rank equally with unsecured creditors in the event of a winding up. Members' other interests, represented above by other reserves, rank after unsecured creditors.

16 Commitments under operating leases

Annual commitments under non-cancellable operating leases are set out below:

Group	2015 Land and buildings £m	2015 Other £m	2014 Land and buildings £m	2014 Other £m
Operating leases which expire:				
Within one year	3.0	-	0.4	-
Within one to two years	0.3	1.1	3.5	0.7
Within two to five years	0.5	-	0.1	-
After five years	14.5	-	13.2	-
	18.3	1.1	17.2	0.7

LLP	2015 Land and buildings £m	2015 Other £m	2014 Land and buildings £m	2014 Other £m
Operating leases which expire:				
Within one year	3.0	-	0.4	-
Within one to two years	0.3	-	3.5	-
Within two to five years	0.4	-	0.1	-
After five years	13.3	-	13.2	-
	17.0	-	17.2	-

17 Related party transactions

During the period the LLP and its wholly owned subsidiaries carried out a number of transactions with related parties in the normal course of business and on an arm's length basis. The LLP has taken advantage of the exemption allowed by the FRS 8, 'Related Party Disclosures', not to disclose any transactions with entities that are wholly owned by the LLP and which are included in these consolidated financial statements.

At the period end the LLP has a balance of nil (2014: £0.5m) owed to Pannells LLP (Formerly PKF (UK) LLP), of which some of the designated members are also members of BDO LLP.

18 Contingent liabilities

The Group's policy on claims that may arise in connection with disputes arising in the ordinary course of business is described in Note 1.

19 Reconciliation of operating profit to net cash inflow from operating activities

	2015 £m	2014 £m
Group operating profit	67.7	78.1
Amortisation of goodwill - subsidiaries	2.5	2.3
Depreciation	6.8	7.3
Loss/(profit) on disposal of fixed assets	0.5	(0.1)
Profit on disposal of intangibles	(0.2)	(0.1)
Difference between pension charge and cash contributions	(1.5)	(1.3)
Decrease/(increase) in debtors	13.1	(6.2)
Decrease in creditors	(3.0)	(6.2)
Decrease in provisions for liabilities	(4.5)	(2.9)
Net cash inflow from operating activities	81.4	70.9

20 Analysis of cash flows

	2015 £m	2014 £m
Return on investments and servicing of finance:		
Interest paid (excluding interest paid to partners)	(2.1)	(2.2)
Taxation:		
UK corporation tax paid	(3.8)	(3.0)
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(7.3)	(2.3)
Proceeds from the sale of tangible fixed assets	0.8	1.0
	(6.5)	(1.3)
Acquisitions and disposals:		
Business combinations	-	(0.1)
Disposal of investment	-	0.2
Disposal of business	0.4	-
	0.4	0.1

20 Analysis of cash flows (continued)

	2015 £m	2014 £m
Transactions with members and former members (note 15):		
Drawings and distributions to members	**(51.3)**	(50.1)
Introduced by members	**2.4**	11.0
Repaid to members	**(7.2)**	(6.8)
Amounts repaid to former members	**(1.5)**	(3.1)
	(57.6)	(49.0)
Financing:		
Loan repayments	**(6.0)**	(6.0)
Capital element of finance leases repaid	**(1.0)**	(1.3)
	(7.0)	(7.3)

21 Net debt

a) Analysis of changes in net debt

	At beginning of period £m	Cash flow £m	Other non-cash changes £m	At end of period £m
Cash/overdrafts				
Cash at bank and in hand	28.5	(4.2)	-	**24.3**
Bank overdrafts	(27.0)	9.0	-	**(18.0)**
	1.5	4.8	-	**6.3**
Debt				
Debt due within one year	(6.0)	6.0	(6.0)	**(6.0)**
Debt due after one year	(28.0)	-	6.0	**(22.0)**
Finance Leases	(1.5)	1.0	(0.2)	**(0.7)**
Net debt	**(34.0)**	**11.8**	**(0.2)**	**(22.4)**

b) Movements in net debt

	2015 £m	2014 £m
Increase in net cash during the period	4.8	8.2
Net cash inflow from debt	7.0	6.0
Non-cash flow relating to finance lease	(0.2)	-
Decrease in net debt during the period	11.6	14.2
Opening net debt	(34.0)	(48.2)
Closing net debt	**(22.4)**	(34.0)

22 Pensions

The Group operates defined benefit and defined contribution pension arrangements for its staff. These pension arrangements are accounted for as required under FRS 17 'Retirement benefits'.

The BDO Pension Scheme ('the Scheme') is a funded scheme, and has two sections: a 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 Group took over the obligations in respect of two funded defined benefit schemes on merging with PKF (UK) LLP. These schemes are closed.

In addition, the Firm operates two Group Personal Pension Plans, one which has operated since 2011 and a Group Personal Pension Plan transferred to BDO LLP on merging with PKF (UK) LLP.

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

Defined contribution arrangement

In the period the Group paid minimal contributions (2014: minimal) to the DC section of the BDO Pension Scheme, which is equal to the total pension charge under FRS 17 'Retirement benefits' for this section of the Scheme.

Since 7 August 2011 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. The remaining members are entitled to remain as active members until the earlier of their return to the UK and leaving the scheme.

There are no outstanding or prepaid contributions to these arrangements as at 3 July 2015 (2014 - £nil).

Funded defined benefit arrangements

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.

The assets and liabilities of the DB section of the BDO Pension Scheme have been valued for FRS 17 'Retirement benefits' purposes by a qualified actuary, Graham Newman from Broadstone Pensions & Investments Limited. The BDO Pension Scheme has a number of pensioner members whose benefits have been secured by the purchase of annuity policies in the name of the trustees.

Annuity policies previously disclosed as assets of the scheme have been reclassified as owned by the relevant beneficiary.

22 Pensions (continued)

During the period, the Group paid contributions to the DB section of £1.2m (2014: £1.2m). In addition the Group pays the costs of administering the Scheme. The ongoing contribution level has been agreed to remain at £1.2m following completion of the formal valuation of the Scheme as at 30 June 2013. A new schedule of Contributions and Recovery Plan will be agreed as part of the actuarial valuation as at 30 June 2015, which is currently underway.

The most recent actuarial valuations of the two legacy PKF Schemes were carried out on 1 April 2014 and on 1 May 2013. The ongoing contribution levels were set at £0.1m and £0.3m per annum.

Funded defined benefit arrangements (continued)

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 FRS 17 'Retirement benefits' purposes.

The key actuarial assumptions for the schemes at the period end are:

	2015	2014
Discount rate	**3.70%**	4.20%
Rate of inflation - RPI	**3.50%**	3.55%
Rate of inflation - CPI	**2.50%**	2.55%
Increases in pensionable salaries	**n/a**	n/a

The underlying mortality assumption is based upon the SAPS year of birth base tables with future improvements in line with CMI 2014 projection tables.

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.

BDO Pension Scheme

The fair values of the assets in the DB section of the BDO Pension Scheme at the period end are:

	2015 £m	2014 £m
Equities	**20.8**	20.3
Bonds	**10.7**	10.0
Gilts	**11.0**	9.9
Annuity policies	**4.6**	7.6
Other assets	**6.0**	5.8
Total	**53.1**	53.6

The expected rates of return on assets for the period are:

	2015	2014
Equities	**7.5% pa**	7.5% pa
Bonds	**4.25% pa**	4.55% pa
Gilts	**3.4% pa**	n/a
Annuity polices	**4.2% pa**	4.55% pa
Other assets	**6.0% pa**	6.0% pa

22 Pensions (continued)

The assumed long-term rates of return on scheme assets are calculated by considering the long-term rate of return on each asset class. The expected rate of return on each asset class is derived by considering relevant investment yields, or by taking a suitable risk-free yield and adjusting for a risk premium as appropriate to the asset class.

An analysis of the movements in the scheme liabilities is set out below:

	2015 £m	2014 £m
At beginning of period	**55.2**	52.7
Interest cost on liabilities	**2.3**	2.4
Benefits paid	**(1.7)**	(1.7)
Reclassification of trustees annuity holding	**(3.1)**	-
Actuarial loss	**3.6**	1.8
At end of period	**56.3**	55.2

An analysis of the movements in the scheme assets is set out below:

	2015 £m	2014 £m
At beginning of period	**53.6**	51.7
Expected return on assets	**2.8**	3.0
Employer contributions	**1.2**	1.2
Benefits paid	**(1.7)**	(1.7)
Reclassification of trustees annuity holding	**(3.1)**	-
Actuarial gain/(loss)	**0.3**	(0.6)
At end of period	**53.1**	53.6

The following amounts have been included within the profit and loss account:

	2015 £m	2014 £m
Expected return on assets	**2.9**	3.0
Interest cost on liabilities	**(2.3)**	(2.4)
Net finance credit	**0.6**	0.6

22 Pensions (continued)

The following amounts have been charged to the statement of total recognised gains and losses ('STRGL'):

	2015 £m	2014 £m
Actual return less expected return on scheme assets	**0.3**	(0.6)
Actuarial losses arising on scheme liabilities	**(3.6)**	(1.8)
Net loss recognised in STRGL	**(3.3)**	(2.4)

The history of experience gains and losses is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Scheme assets	**53.1**	53.6	51.7	47.5	46.4
Scheme liabilities	**(56.3)**	(55.2)	(52.7)	(51.7)	(46.6)
Deficit	**(3.2)**	(1.6)	(1.0)	(4.2)	(0.2)
Investment (losses)/gains	**0.3**	(0.6)	1.9	1.3	1.0
Experience (losses)/gains on liabilities	**0.5**	0.5	-	(0.4)	0.8

The cumulative amount of gains and losses recognised in the STRGL since 1 July 2002 is a loss of £15.0m (£11.8m 2014).

22 Pensions (continued)

Legacy PKF Pension Schemes

The fair values of the assets of the PKF Pension Schemes at the period end are:

	2015 £m	2014 £m
Equities and property	**22.5**	22.4
Bonds	**4.2**	4.4
Gilts	**0.4**	0.4
Other assets	**0.1**	0.1
Cash	**2.5**	2.8
Total	**29.7**	30.1

The expected rates of return on assets for the period are:

	2015	2014
Equities	**7.5% pa**	7.5% pa
Gilts	**3.4% pa**	n/a
Bonds	**4.25% pa**	4.25% pa
Cash	**3.6% pa**	3.55% pa

The assumed long-term rates of return on scheme assets are calculated by considering the long-term rate of return on each asset class. The expected rate of return on each asset class is derived by considering relevant investment yields, or by taking a suitable risk-free yield and adjusting for a risk premium as appropriate to the asset class.

An analysis of the movement in the scheme liabilities is set out below:

	2015 £m	2014 £m
At beginning of period	**31.2**	31.4
Interest cost on liabilities	**1.2**	1.4
Benefits paid	**(1.9)**	(2.2)
Actuarial loss/(gain)	**4.2**	0.6
At end of period	**34.7**	31.2

An analysis of the movement in the scheme assets is set out below:

	2015 £m	2014 £m
At beginning of period	**30.1**	30.3
Expected return on assets	**1.9**	1.7
Employer contributions	**0.4**	0.1
Benefits paid	**(1.9)**	(2.2)
Actuarial (loss)/gain	**(0.8)**	0.2
At end of period	**29.7**	30.1

22 Pensions (continued)

Legacy PKF Pension Schemes (continued)

The following amounts have been included within the profit and loss account:

	2015 £m	2014 £m
Expected return on assets	**1.9**	1.7
Interest cost on liabilities	**(1.2)**	(1.4)
Net finance credit	**0.7**	0.3

The following amounts have been charged to the statement of total recognised gains and losses ('STRGL'):

	2015 £m	2014 £m
Actual return less expected return on scheme assets	**(0.8)**	0.2
Actuarial losses arising on scheme liabilities	**(4.2)**	(0.6)
Net loss recognised in STRGL	**(5.0)**	(0.4)

The history of experience gains and losses is as follows:

	2015 £m	2014 £m
Scheme assets	**29.7**	30.1
Scheme liabilities	**(34.7)**	(31.2)
Deficit	**(5.0)**	(1.1)

22 Pensions (continued)

Legacy PKF Pension Schemes

The history of experience gains and losses is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Scheme assets	**29.7**	30.1	30.3	27.0	28.3
Scheme liabilities	**(34.7)**	(31.2)	(31.4)	(30.3)	(28.3)
(Deficit)/Surplus	**(5.0)**	(1.1)	(1.1)	(3.3)	(0.0)
Investment (losses)/gains	**(0.8)**	0.1	(0.1)	(1.9)	0.1
Experience (losses)/gains on liabilities	**(0.9)**	(0.3)	-	0.7	0.2

The cumulative amount of gains and losses recognised in the STRGL since 28 March 2013 is a loss of £3.8m (£1.2m cumulative gain 2014).

The combined pension liability for all schemes, including the BDO Pension Scheme, as at the period end is:

	2015 £m	2014 £m
Present value of Scheme liabilities	**(91.0)**	(86.4)
Market value of Scheme assets	**82.8**	83.7
Deficit in the Schemes	**(8.2)**	(2.7)