

# **BDO SERVICES LIMITED**

Annual Report and Financial Statements

Period Ended

30 June 2023

Company Number 07020023

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# BDO SERVICES LIMITED

## Company Information

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<b>Directors</b>	Andrew Butterworth Stuart Charles Collins Ryan Christopher Ewart Ferguson Simon Patrick Gallagher (appointed 2 July 2022) Scott William Knight
<b>Registered number</b>	07020023
<b>Registered office</b>	55 Baker Street London W1U 7EU
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Company type</b>	Private company limited by shares

# **BDO SERVICES LIMITED**

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# **BDO SERVICES LIMITED**

## **Strategic Report For the Period Ended 30 June 2023**

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### **Development and performance**

The principal activity of BDO Services Limited ("the Company") is the provision of professional and business services to the BDO LLP group ("the Group") and network. The directors are satisfied with the trading results for the financial period ended 30 June 2023.

Revenue has increased by 21.1% year on year (2023 - £625.5m, 2022 – £516.5m). The profit and loss account is set out on page 12 and shows a profit of £21.1m (2022 - £17.9m) for the financial period. The net assets at the end of the financial period are £24.3m (2022 - £8.2m).

The Group's market heartland remains the UK's mid-sized, ambitious and entrepreneurially-spirited businesses and the people behind them. While we service many global and large listed businesses, we have a particular understanding of these mid-sized and high growth entities. These businesses are innovative, resilient and nimble and will, at some stage of their growth, often wish to work with private equity or access capital markets.

The members of BDO LLP, the ultimate parent undertaking, manage BDO LLP operations on a divisional basis. The management of the Group review high-level divisional results of BDO LLP on a regular basis to ensure that the company can strategically plan to supply professional services aligned to the needs of its significant client or audited entity. Resourcing, retention and vacancies are monitored on an ongoing basis. Separate key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the Company. The activities of the Company are expected to continue as described above.

The Company will continue to find the best resources to support its clients and audited entities, and will strive to achieve efficiencies through technological solutions.

### **Risk management**

The directors meet on a regular basis to review and monitor controls and processes designed to mitigate exposure to financial, operational, strategic and professional risk. The principal risk for the Company is termination or significant reduction in need of its contract with BDO LLP to supply professional and business services.

Other risks that have been identified as facing the business are commercial management, attraction and retention of talent, and succession planning. The annual budgeting process with ongoing review of actual results against budget incorporates a review of strategic plans. To manage resource risk, the directors ensure that structured performance reviews take place, technical and commercial training and development is offered, on the job coaching is encouraged and alongside, a people listening programme addresses feedback.

# **BDO SERVICES LIMITED**

## **Strategic Report (continued) For the Period Ended 30 June 2023**

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### **Directors' statement of compliance with duty to promote the success of the Company**

In accordance with their duty to do so under Section 172(1) of the Companies Act 2006, the directors, individually and collectively, have acted in a way that they consider, in good faith, is most likely to promote the success of the Company for the benefit of its broader stakeholders as a whole.

The directors consider the successful running of the Company in terms of achieving the long-term strategy of the Group which centres around building a sustainable, profitable business which has brand and reputation at its heart. The success of the Company centres around positive and effective dealings with all the stakeholders of the Group and the directors were mindful of the long-term consequences of key commercial decisions made during the year, and determined that these were in the interests of employees, suppliers, clients and audited entities and other stakeholders, as they were all aligned to the Group's strategy.

The Company's success depends on the Group maintaining a reputation for high standards of business conduct with customers and other stakeholders, whether in relation to specific community issues or with regards to environmental issues such as minimising the production of waste.

The principal business decisions made in the year largely related to ensuring the continued resilience of our operating model to the challenges posed by the uncertain economic environment that we are operating within. Despite this uncertainty the 2023 financial year was a very positive one for the Company.

Our people are the most important part of our business. The resilient performance has allowed us to invest in, recognise and reward our people. We recruited significant additional talent, finishing the year with full year average employee headcount at 7,034 versus 6,210 in the prior year. We have progressed our framework of 'WORKABLE' focused on individuals choosing to work where they are most productive depending on the task at hand.

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

Further details on the BDO Group's climate-related financial disclosures are included in the Energy and Carbon Report within the BDO LLP Annual Report available at [www.bdo.co.uk/en-gb/about/our-performance](http://www.bdo.co.uk/en-gb/about/our-performance). The disclosure is consistent with the requirements of the Companies Act in all material respects and have therefore not been reproduced within the BDO Services Limited Annual Report.

The Group recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions year-on-year. Like many businesses, emissions over the pandemic years were unusually low due to lockdown limiting office use and reducing travel. Whilst our emissions have risen during the period against the prior year, they are still lower than pre-pandemic years. As BDO transforms into an agile working firm, we continue to be committed to reducing our emissions.

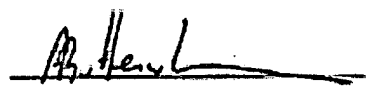
# **BDO SERVICES LIMITED**

## **Strategic Report (continued) For the Period Ended 30 June 2023**

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As set out in the directors' report, the company engages with employee representatives on a wide range of matters. The Company also regularly engages with suppliers to maintain these important relationships. The directors confirm that throughout the year they have acted in the way that they consider, in good faith, to be most likely to promote the success of the company for the benefit of its stakeholders as a whole.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'A. Butterworth', is written over a horizontal line.

**Andrew Butterworth**  
Director

Date: 17 October 2023

# **BDO SERVICES LIMITED**

## **Directors' Report For the Period Ended 30 June 2023**

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The directors present their report and the financial statements for the period ended 30 June 2023.

### **Directors' responsibilities statement**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

### **Results and dividends**

The profit for the period, after taxation, amounted to £21,078,000 (2022 - £17,921,000).

The directors paid dividends of £5,000,000 (2022 - £13,000,000) during the year. No dividends have been paid post year end to date.

### **Directors**

The directors who served during the period were:

Andrew Butterworth  
Stuart Charles Collins  
Ryan Christopher Ewart Ferguson  
Simon Patrick Gallagher (appointed 2 July 2022)  
Scott William Knight  
Douglas Iain Crichton Lowson (resigned 30 June 2023)  
Jonathan Andrew Randall (resigned 2 July 2022)

The current directors are members of BDO LLP, the ultimate parent undertaking.

# BDO SERVICES LIMITED

## Directors' Report (continued) For the Period Ended 30 June 2023

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### Engagement with employees

During the 2023 financial period, our focus remained around investing in our people. During the year we have increased headcount by circa 13% and we plan to continue to make significant investment in this area. Our organisational framework 'Achieving My Potential' (AMP) continues to be embedded across the Group. This framework sets out the core and technical competencies, and our values. AMP continues to give BDO a fairer, clearer, transparent and consistent way of attracting, developing, growing, rewarding and engaging with all our employees.

Our recruitment team bring in Experienced Hire and Early in Career colleagues throughout the year focusing on attracting the highest quality candidates, so they not only see BDO as a place they want to join, but also to build their career. Each one of our employees are encouraged to set objectives, which align to the delivery of our firm-wide BUILD strategy, and have a development plan based on the AMP Organisational Framework.

We have a broad learning catalogue to support our people in developing themselves. Our goal is to continue to provide engaging, relevant and useful learning for everyone. This enables our people to develop their core competencies such as Business Thinking, Collaborating or Communicating, in a way which suits them, whether that is virtual or on the job alongside a more experienced colleague. Our technical learning is carefully managed at every stage of our people's career journey, from school leavers joining us as apprentices, to Professional qualifications. We work closely with industry recognised qualification providers to ensure our teams have the skills both technical and soft to be successful in their career.

In 2021 we launched our WORKABLE agile working framework to give our people choice and flexibility around how, when and where they work in order to achieve the best possible outcomes for individuals, teams, our clients and audited entities and the firm. We continue to work under this framework and are seeing this to continue to be an effective method for each of these key stakeholders.

A key element of the BUILD strategy is our "Unifying Culture". We talk about "Be Yourself" and we want to ensure that colleagues can bring their very best to work by being supported by a strategy that wants to support, develop and encourage people to succeed at the firm. Our peer-led networks such as Pride network, BDO Inspire, CEDAR and the Muslim Network to name a few continue to celebrate and share stories about how they support colleagues across the firm. We are committed to the Race at Work Charter and will continue to review other relevant charters or organisations who can help the firm achieve our goal of helping our people succeed.

Our continued focus will be to support and focus on health and wellbeing, with our Wellbeing support which has been Gold rated by the MIND workplace wellbeing index.

We are proud of our people, the skills, expertise, and knowledge they bring to support each other, their teams and our clients and audited entities through the pandemic and into the future.

As firm, we are fully committed to being an equal opportunity employer and have achieved disability confidence - level 1. This means we have committed to the following:

- Ensuring our recruitment process is inclusive and accessible
- Communicating and promoting vacancies
- Offering an interview to disabled people who meet the minimum criteria for the job
- Anticipating and providing reasonable adjustments as required, during the recruitment process and during an employee's tenure with the firm
- Supporting any existing employee who acquires a disability or long term health condition, enabling them to have a productive career.

In addition, as a firm we work closely with our employee-led network 'Enabled', who provide a community for colleagues with disabilities, long-term health conditions, neurodiversity and caring responsibilities. The network aims to raise awareness and understanding amongst colleagues across the firm, and also provide feedback, ensuring that we are responding to specific needs.

We encourage employees to inform their People Manager or HR of any disability related support which they



# **BDO SERVICES LIMITED**

## **Directors' Report (continued) For the Period Ended 30 June 2023**

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require during their employment with the firm. BDO takes responsibility for making reasonable adjustments which enable our employees to continue working to the best of their ability and where appropriate refer our employees to Occupational Health for any additional guidance.

Disabilities are not a barrier in terms of training, career development and promotion. All employees are treated fairly and given equal opportunities to develop their career within the firm.

### **Financial risk management**

The company's main client is the Group and accordingly shares its exposure to a variety of financial risks that include the effects of credit risk, liquidity risk, interest rate and cash flow risk and foreign currency risk. The company is a member of the BDO LLP group and financial risk is managed at the Group level. The Group has in place a risk management programme that seeks to limit the adverse effects on its financial performance by monitoring levels of debt finance and any related finance costs. The Board of directors has responsibility for monitoring this programme and its policies are implemented by the finance director.

- Credit risk: new clients and audited entities of the Group are only accepted after they have satisfied appropriate take on and due diligence procedures operated by BDO LLP.
- Liquidity risk: the Group is financed with an appropriate short-term bank overdraft and longer term borrowings which matches the needs of the business.
- Interest rate and cash flow risk: the company is directly exposed to any adverse movements in the underlying SONIA rate as a result of a loan from another subsidiary based around this rate. By virtue of the value of this loan, the impact would not be material. Accordingly it does not use derivative financial instruments and as such no hedge accounting is applied.
- Foreign currency risk: transactions are mainly undertaken in pounds sterling therefore the company is not exposed to material foreign currency risk. Whenever possible, the Group seeks to match its foreign currency assets, liabilities, cash inflows and outflows in the same currency. The Group's policy is not to enter into new forward or derivative contracts.

### **Going concern**

The Company provides business services for its ultimate parent entity, BDO LLP. The appropriateness of the directors' use of the going concern assumption in preparing these financial statements is therefore dependent upon the Company's relationship with, and continuing trade with, its ultimate parent entity.

The Group has continued to demonstrate robust performance over the year despite a challenging macroeconomic climate. The Board have carefully reviewed current results and prepared detailed trading and cash flow forecasts, being mindful of the current economic climate, through to June 2025 as well as considering available banking facilities and other sources of finance.

The Board is confident the group will maintain adequate resources to allow settlement of all liabilities as they fall due for the foreseeable future. Additionally, given the nature of its reliance on BDO LLP, a letter of support from BDO LLP to BDO Services Limited is currently in place. This assures financial support for a minimum period of no less than 12 months from the date of signing these accounts, if deemed necessary. Therefore, the going concern basis has been adopted in preparing the financial statements.

### **Directors' indemnity statement**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

Directors' and Officers' liability insurance is provided by the ultimate parent undertaking for the company and its Directors.

# **BDO SERVICES LIMITED**

## **Directors' Report (continued) For the Period Ended 30 June 2023**

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### **Statement of corporate governance arrangements**

The Company exists to provide business services to and as part of the Group and so it has not adopted its own formal code of corporate governance. The operations of the Company are undertaken in compliance with the regulatory and governance framework applied by BDO LLP. The directors apply appropriate corporate governance principles to ensure they act in the best interests of the Company, the wider Group and other key stakeholders.

BDO LLP operates under the following governance arrangements

- The business is managed by the Leadership Team, supported by the Audit Board and overseen by the business interests oversight board.
- The Partnership Council comprises partners independent of management roles and acts as an oversight body.
- Aspects of external reporting and internal controls are overseen by the Audit Committee and the Quality and Risk Management Committee which include non-executive directors.
- Wider governance considerations are overseen by the Public Interest Committee including non-executive directors.
- As a public company auditor, the firm applies the Audit Firm Governance Code.

Further details of the above items are described in BDO LLP's Transparency Report 2023.

### **Disclosure of information to auditors**

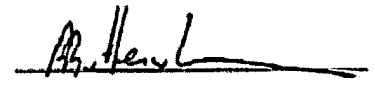
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Andrew Butterworth  
Director

Date: 17 October 2023

# **BDO SERVICES LIMITED**

## **Independent Auditors' Report to the Members of BDO SERVICES LIMITED**

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### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion, BDO Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2023 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: statement of financial position as at 30 June 2023; the statement of comprehensive income and the statement of changes in equity 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 company 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

#### **Conclusions relating to going concern**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- considering the parent company's ability to provide financial support by assessing its forecast cash flows and available financing, including related covenants;
- review of letter of support obtained from the parent company;
- testing the mathematical integrity of the group's forecasts and the models and reconciled these to Board approved budgets; and
- an assessment of group management's base case and severe but plausible scenarios, challenging the key assumptions.

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 company'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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# **BDO SERVICES LIMITED**

## **Independent Auditors' Report to the Members of BDO SERVICES LIMITED (continued)**

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

Our responsibilities and the responsibilities of the directors 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 directors 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, except to the extent otherwise explicitly stated in this report, 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.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the period ended 30 June 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Directors' responsibilities statement, the directors 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 directors 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

# **BDO SERVICES LIMITED**

## **Independent Auditors' Report to the Members of BDO SERVICES LIMITED (continued)**

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### **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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, and management bias in accounting judgements and estimates. Audit procedures performed by the engagement team included:

- testing a sample of journals that meet our risk of fraud criteria;
- challenging assumptions and judgements made by management in respect of accounting estimates;
- reviewing board minutes to ensure that the matters discussed are consistent with our understanding and other audit evidence obtained;
- enquiring of management, those charged with governance and legal counsel around actual and potential fraud and non-compliance with laws and regulations; and
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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](http://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 company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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.

# **BDO SERVICES LIMITED**

## **Independent Auditors' Report to the Members of BDO SERVICES LIMITED (continued)**

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### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the 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

# BDO SERVICES LIMITED

## Statement of Comprehensive Income For the Period Ended 30 June 2023

	Note	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Turnover	4	625,533	516,478
Staff costs	7	(461,431)	(383,051)
Other operating expenses		(138,064)	(112,779)
Other operating income		1,772	2,867
<b>Operating profit</b>	5	<b>27,810</b>	<b>23,515</b>
Interest receivable and similar income	9	4	13
Interest payable and similar expenses	10	(791)	(480)
<b>Profit before tax</b>		<b>27,023</b>	<b>23,048</b>
Tax on profit	11	(5,945)	(5,127)
<b>Profit for the financial period</b>		<b>21,078</b>	<b>17,921</b>

There was no other comprehensive income for 2023 (2022: £NIL).

The notes on pages 15 to 38 form part of these financial statements.

**BDO SERVICES LIMITED**

Registered number:07020023

**Statement of Financial Position  
As at 30 June 2023**

	Note	30 June 2023 £000	1 July 2022 £000
<b>Non current assets</b>			
Intangible assets	12	11,032	14,982
Tangible assets	13	41,077	46,070
Investments	14	100	100
Debtors due after one year	15	1,237	600
		<u>53,446</u>	<u>61,752</u>
<b>Current assets</b>			
Debtors due within one year	15	54,879	11,198
Cash and cash equivalents	16	2,975	11,797
		<u>57,854</u>	<u>22,995</u>
Creditors due within one year	17	(57,572)	(42,153)
<b>Net current assets/(liabilities)</b>		<u>282</u>	<u>(19,158)</u>
<b>Total assets less current liabilities</b>		<u>53,728</u>	<u>42,594</u>
Creditors due after more than one year	18	(18,800)	(23,996)
		<u>34,928</u>	<u>18,598</u>
<b>Provisions for liabilities</b>			
Deferred taxation	21	(2,074)	(1,326)
Other provisions	22	(8,566)	(9,062)
		<u>(10,640)</u>	<u>(10,388)</u>
<b>Net assets</b>		<u>24,288</u>	<u>8,210</u>
<b>Capital and reserves</b>			
Called up share capital	23	10	10
Profit and loss account		24,278	8,200
<b>Total capital and reserves</b>		<u>24,288</u>	<u>8,210</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 October 2023. The notes on pages 15 to 38 form part of these financial statements.



**Stuart Charles Collins**  
Director



# BDO SERVICES LIMITED

## Statement of Changes in Equity For the Period Ended 30 June 2023

	Called up share capital £000	Profit and loss account £000	Total equity £000
<b>At 3 July 2021</b>	<b>10</b>	<b>3,279</b>	<b>3,289</b>
Comprehensive income for the period	-	17,921	17,921
Dividends	-	(13,000)	(13,000)
<b>At 1 July 2022</b>	<b>10</b>	<b>8,200</b>	<b>8,210</b>
Comprehensive income for the period	-	21,078	21,078
Dividends	-	(5,000)	(5,000)
<b>At 30 June 2023</b>	<b>10</b>	<b>24,278</b>	<b>24,288</b>

The notes on pages 15 to 38 form part of these financial statements.

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

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### 1. General information

BDO Services Limited is a private UK limited company incorporated and registered in England and Wales under number 07020023. The registered office is 55 Baker Street, London, W1U 7EU. The company is limited by shares.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Financial Reporting Standards but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions have been taken.

The following principal accounting policies have been applied:

#### 2.2 Financial Reporting Standard 101 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of BDO LLP as at the period ended 30 June 2023 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

#### 2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

# **BDO SERVICES LIMITED**

## **Notes to the Financial Statements For the Period Ended 30 June 2023**

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### **2. Accounting policies (continued)**

#### **2.4 Going concern**

The Company provides professional and business services to its ultimate parent entity, BDO LLP. The appropriateness of the directors' use of the going concern assumption in preparing these financial statements is therefore dependent upon the Company's relationship with, and continuing trade with, its ultimate parent entity.

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 and other sources of finance. The Leadership Team is confident the Group will maintain adequate resources to allow settlement of all liabilities as they fall due for the foreseeable future.

Additionally, given the nature of its reliance on BDO LLP, a letter of support from BDO LLP to BDO Services Limited is currently in place. This assures financial support for a period of no less than 12 months from the date of signing these accounts. Therefore, the going concern basis has been adopted in preparing the financial statements.

#### **2.5 Foreign currency translation**

##### **Functional and presentation currency**

The Company's functional and presentational currency is GBP.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Gains and losses on translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement.

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

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### 2. Accounting policies (continued)

#### 2.6 Revenue

Revenue is the combination of two core revenue streams, being the value of services provided during the period, including to the BDO LLP Group and network, which is charged on a 5.75% mark up basis, and external client and audited entity fee income.

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

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

Contingent revenue is constrained in estimating contract revenue, in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the associated uncertainty with the variable consideration is subsequently resolved.

#### 2.7 Leases

The Company leases a number of properties. All property leases have periodic rent that is fixed over the lease term. The Company also leases certain items of plant and equipment. Leases of plant and equipment comprise only fixed payments over the lease terms.

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- the amount expected to be payable by the lessee under residual value guarantees;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

# **BDO SERVICES LIMITED**

## **Notes to the Financial Statements For the Period Ended 30 June 2023**

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### **2. Accounting policies (continued)**

#### **2.7 Leases (continued)**

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' line, as applicable, in the Statement of Financial Position.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

#### **2.8 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

#### **2.9 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **2.10 Pensions**

##### **Defined contribution pension plan**

The Company contributes to a separate Group Personal Pension Plan for its staff.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

# **BDO SERVICES LIMITED**

## **Notes to the Financial Statements For the Period Ended 30 June 2023**

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### **2. Accounting policies (continued)**

#### **2.11 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

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### 2. Accounting policies (continued)

#### 2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

##### *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 profit and loss account. The Company 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. It does this by comparing the carrying value of each CGU with its recoverable amount. The recoverable amount of the CGU has been determined based on value in use (VIU) calculations.

The UK Companies Act requires goodwill to be amortised over its useful economic life, as determined by the Directors. Therefore, the Company is invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill, a period of 10 years would have been used, which would have resulted in a reduction in profit of £0.5m during the year.

##### *Customer relationships*

Customer relationships will be amortised on a straight line basis over their useful economic lives of between 5.4 years and 7.4 years.

#### 2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 5 years to 15 years (or life of lease, if shorter)
Fixtures and fittings	- 2 years to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

# **BDO SERVICES LIMITED**

## **Notes to the Financial Statements For the Period Ended 30 June 2023**

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### **2. Accounting policies (continued)**

#### **2.14 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each reporting date. Gains and losses on remeasurement are recognised in the Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

#### **2.15 Debtors**

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### **2.16 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **2.17 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **2.18 Holiday pay accrual**

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

#### **2.19 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. 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.



# **BDO SERVICES LIMITED**

## **Notes to the Financial Statements For the Period Ended 30 June 2023**

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### **2. Accounting policies (continued)**

#### **2.20 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

##### **Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

##### **Debt instruments at amortised cost**

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

##### **Financial liabilities**

##### **At amortised cost**

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

#### **2.21 Dividends**

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

# **BDO SERVICES LIMITED**

## **Notes to the Financial Statements For the Period Ended 30 June 2023**

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### **3. Judgments in applying accounting policies and key sources of estimation uncertainty**

The Company 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 items being valued.

*There are no critical judgements or critical accounting estimates to note. However, there are judgements and estimates made in the following areas:*

#### Property, plant and equipment:

Tangible fixed assets are depreciated over their estimated useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. See note 13 for further disclosures.

#### Customer relationships and goodwill:

Customer relationships are amortised over their estimated useful lives. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill is assessed at each reporting date using net present value methods with appropriate assumptions to ensure its carrying value is not impaired. See note 12 for further disclosures.

#### Valuation of annuities:

On 1 February 2019 the company acquired certain trade and assets of Moore Stephens LLP including former partner annuities amounting to £6.9m. These annuities have been valued by an external expert using suitable net present value methodologies and discount rates. See note 22 for further disclosures.

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 4. Turnover

An analysis of turnover by class of business is as follows:

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Business services	625,533	516,478
	<u>625,533</u>	<u>516,478</u>

Analysis of turnover by country of destination:

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
United Kingdom	625,533	516,478
	<u>625,533</u>	<u>516,478</u>

### 5. Operating profit

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

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Depreciation of tangible fixed assets	11,831	8,502
Amortisation of intangible assets	3,950	3,930
Exchange differences	(294)	101
	<u></u>	<u></u>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 6. Auditors' remuneration

During the period, the Company obtained the following services from the Company's auditors and their associates:

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's financial statements	10	-

In the prior period ended 1 July 2022, the audit fee of £10,000 was borne by the ultimate parent undertaking, BDO LLP.

### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Wages and salaries	379,007	317,824
Social security costs	43,743	35,151
Cost of defined contribution scheme	38,681	30,076
	<u>461,431</u>	<u>383,051</u>

The average monthly number of employees, including the directors, during the period was as follows:

	Period Ended 30 June 2023 No.	Period Ended 1 July 2022 No.
Professional staff	6,280	5,568
Central support	754	642
	<u>7,034</u>	<u>6,210</u>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 8. Directors' remuneration

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Directors' emoluments	1,150	865
	<u>1,150</u>	<u>865</u>

The highest paid director received remuneration of £250,000 (2022 - £200,000).

No contributions were made by the Company to a defined contribution or defined benefit pension scheme for any of the directors in either the current or prior year.

### 9. Interest receivable and similar income

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Other interest receivable	4	13
	<u>4</u>	<u>13</u>

### 10. Interest payable and similar expenses

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Bank interest payable	174	-
Interest on lease liabilities	617	480
	<u>791</u>	<u>480</u>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 11. Taxation

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
<b>Corporation tax</b>		
Current tax on profits for the year	5,197	3,033
<b>Deferred tax</b>		
Origination and reversal of timing differences	748	2,094
<b>Tax on profit</b>	5,945	5,127

#### Factors affecting tax charge for the period

The tax assessed for the period is higher than (2022 - higher than) the standard rate of corporation tax in the UK of 20.5% (2022 - 19%). The differences are explained below:

	Period Ended 30 June 2023 £000	Period Ended 1 July 2022 £000
Profit on ordinary activities before tax	27,023	23,048
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2022 - 19%)	5,540	4,379
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	190	419
Capital allowances for period in excess of depreciation	(257)	(627)
Adjustments to tax charge in respect of prior periods	(417)	(207)
Adjustments to brought forward values	806	747
Adjustment in deferred tax due to change in corporation tax rate	83	416
<b>Total tax charge for the period</b>	5,945	5,127

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 12. Intangible assets

	Customer relationships £000	Goodwill £000	Total £000
<b>Cost</b>			
At 2 July 2022	23,689	4,732	28,421
At 30 June 2023	23,689	4,732	28,421
<b>Amortisation</b>			
At 2 July 2022	13,439	-	13,439
Charge for the period on owned assets	3,950	-	3,950
At 30 June 2023	17,389	-	17,389
<b>Net book value</b>			
At 30 June 2023	6,300	4,732	11,032
At 1 July 2022	10,250	4,732	14,982

### Goodwill

The directors are satisfied that no further impairment provision was required against the carrying value of the Company'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 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 Company's goodwill was £4.7m (2022: £4.7m). This relates to the acquisition of Moore Stephens LLP on 1 February 2019 and represents the excess of the consideration over the fair value of separately identifiable assets. 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 Company 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 of certain trade and assets of Moore Stephens LLP was evaluated. Customer Relationships of £23.8m were identified and capitalised in 2019. These assets will be amortised over their useful lives of between 5.4 and 7.4 years. Disposals of £0.1m have been made in prior periods.

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 13. Tangible assets

	Right of use assets £000	Leasehold improvements £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation</b>				
At 2 July 2022	42,068	9,925	23,761	75,754
Additions	-	1,569	8,933	10,502
Disposals	-	(3,856)	(2,871)	(6,727)
Remeasurements	(812)	-	-	(812)
At 30 June 2023	41,256	7,638	29,823	78,717
<b>Depreciation</b>				
At 2 July 2022	15,999	3,926	9,759	29,684
Charge for the period on owned assets	-	1,373	6,580	7,953
Charge for the period on right-of-use assets	3,878	-	-	3,878
Disposals	-	(1,004)	(2,871)	(3,875)
At 30 June 2023	19,877	4,295	13,468	37,640
<b>Net book value</b>				
At 30 June 2023	21,379	3,343	16,355	41,077
At 1 July 2022	26,069	5,999	14,002	46,070

The net book value of owned and leased assets included as "Tangible fixed assets" in the Statement of Financial Position is as follows:

	30 June 2023 £000	1 July 2022 £000
Tangible fixed assets owned	19,698	20,001
Right-of-use tangible fixed assets	21,379	26,069
	41,077	46,070



# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 13. Tangible assets (continued)

Information about right-of-use assets is summarised below:

#### Net book value

	30 June 2023 £000	1 July 2022 £000
Property	20,178	24,561
Plant and machinery	1,201	1,508
	<u>21,379</u>	<u>26,069</u>

#### Depreciation charge for the period ended

	30 June 2023 £000	1 July 2022 £000
Property	3,543	3,406
Plant and machinery	335	140
	<u>3,878</u>	<u>3,546</u>

There were £NIL additions to right-of-use assets in the period ended 30 June 2023 (2022 - £4,443,000).

### 14. Investments

	Investments in subsidiary companies £000
Cost or valuation	
At 2 July 2022	100
At 30 June 2023	<u>100</u>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 14. Investments (continued)

#### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Holding
BDO Employment Services Ltd	55 Baker Street, London, W1U 7EU	Professional services	100%
BDO Holdings Ltd	55 Baker Street, London, W1U 7EU	Holding company	100%
BDO Regulatory Solutions Ltd	55 Baker Street, London, W1U 7EU	Professional services	67%
BDO IFI Services Ltd*	55 Baker Street, London, W1U 7EU	Professional services	100%
Moore Stephens IFI Services Ltd*	Suite 5, 4 Watergardens, Waterport, Gibraltar	Professional services	100%
BDO IFI Pvt Ltd*	1 Pembi Close, Glen Lorne, Harare, Zimbabwe	Professional services	100%
BDO IFI Ltd*	Plot No 893, Mosi-O-Tunya Road, Woodlands, Lusaka, Zambia	Professional services	100%
BDO IFI Monrovia Inc*	81 Sekou Toure Avenue, PO Box 1921, Mamba Point, Monrovia, Liberia	Professional services	49%
Moore Stephens IFI Inc*	81 Sekou Toure Avenue, PO Box 1921, Mamba Point, Monrovia, Liberia	Professional services	49%
BDO IFI SPRL*	Building Old East, Place de L'indépendance, Bujumbura, Burundi	Professional services	100%
MS IFI SARL*	Corniche du Fleuve, Victoria Tower Building, 4th Floor, Beirut, Lebanon	Professional services	100%
IFI Maghreb LLC*	Rue de L'indépendance, Ariana 2080, Tunisia	Professional services	100%
IFI Madagascar SARL*	Lot S100 Mandikanamana, Alasora, Madagascar	Professional services	100%
IFI Cameroon SARL*	3rd Floor Emmeuble 4 Etages, Rue Koloka Bonapriso, PO Box 4155, Douala, Cameroon	Professional services	100%

Indirect holdings are represented by a \*.

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 15. Debtors

	30 June 2023 £000	1 July 2022 £000
<b>Due after more than one year</b>		
Amounts owed by group undertakings	1,237	600
	<u>1,237</u>	<u>600</u>
	30 June 2023 £000	1 July 2022 £000
<b>Due within one year</b>		
Trade debtors	362	56
Amounts owed by group undertakings	41,007	1,643
Other debtors	829	234
Prepayments and accrued income	9,230	8,374
Tax recoverable	3,451	891
	<u>54,879</u>	<u>11,198</u>

Amounts owed by group undertakings due after more than one year relates to a facility with a related party, BDO Regulatory Solutions Limited (see note 25).

### 16. Cash and cash equivalents

	30 June 2023 £000	1 July 2022 £000
Cash at bank and in hand	2,975	11,797
	<u>2,975</u>	<u>11,797</u>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 17. Creditors due within one year

	30 June 2023 £000	1 July 2022 £000
Trade creditors	5,237	4,472
Amounts owed to group undertakings	17,780	10,808
Other taxation and social security	3,463	2,139
Lease liabilities	4,451	4,255
Other creditors	2,231	2,270
Accruals and deferred income	24,410	18,209
	<u>57,572</u>	<u>42,153</u>

Obligations under lease liabilities are secured against the assets to which they relate. Trading amounts owed to group undertakings are unsecured, interest free, and repayable on demand.

Within the amounts owed to group undertakings, there are the following loan balances:

- £16,500,000 owed to BDO LLP, the ultimate parent undertaking, with associated interest of SONIA + 1.5% per annum payable on the maturity of the loan on 28 June 2024;
- £1,271,844 owed to BDO LLP Limited, the immediate parent entity, inclusive of interest of SONIA + 1.5% per annum payable on the maturity of the loan on 24 January 2024.

### 18. Creditors due after more than one year

	30 June 2023 £000	1 July 2022 £000
Lease liabilities	<u>18,800</u>	<u>23,996</u>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 19. Leases

#### Company as a lessee

The Company leases a number of properties. All property leases have periodic rent that is fixed over the lease term. The Company also leases certain items of plant and machinery. Leases of plant and machinery comprise only fixed payments over the lease terms. Some of these leases are low in value and therefore not capitalised but are expensed on a straight line basis to the income statement.

Lease liabilities are due as follows:

	2023 £000	2022 £000
Not later than one year	4,451	4,255
Between one year and five years	13,481	13,121
Later than five years	5,319	10,875
	<u>23,251</u>	<u>28,251</u>

Contractual undiscounted cash flows are due as follows:

	2023 £000	2022 £000
Not later than one year	4,775	4,672
Between one year and five years	15,294	14,484
Later than five years	5,462	11,948
	<u>25,531</u>	<u>31,104</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2023 £000	2022 £000
Interest expense on lease liabilities	617	480
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>914</u>	<u>2,500</u>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 20. Financial instruments

	30 June 2023 £000	1 July 2022 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>46,409</u>	<u>14,331</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(72,909)</u>	<u>(66,149)</u>

### 21. Deferred taxation

	2023 £000
At beginning of year	1,326
Charged to the profit or loss	748
<b>At end of year</b>	<u><u>2,074</u></u>

The provision for deferred taxation is made up as follows:

	30 June 2023 £000	1 July 2022 £000
Accelerated capital allowances	<u>2,074</u>	<u>1,326</u>
	<u><u>2,074</u></u>	<u><u>1,326</u></u>

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%).

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 22. Other provisions

	Annuities £000	Property dilapidations £000	Total £000
At 2 July 2022	5,153	3,909	9,062
Charged/(released) to the profit or loss	(246)	191	(55)
Utilised in period	(441)	-	(441)
<b>At 30 June 2023</b>	<b>4,466</b>	<b>4,100</b>	<b>8,566</b>

#### Annuities

On 1 February 2019 the company acquired certain trade and assets of Moore Stephens LLP. This included the acquisition of former partner annuities amounting to £6.9m at the time of acquisition. These annuities have been valued by Barnett Waddingham as at 30 June 2023.

The amounts recognised in profit or loss are as follows:

	30 June 2023 £000	1 July 2022 £000
Experience losses on liabilities	184	217
Interest on obligation	190	115
Gains from changes to demographic assumptions	(100)	(329)
Gains from changes to financial assumptions	(520)	(903)
<b>Total</b>	<b>(246)</b>	<b>(900)</b>

Reconciliation of fair value of plan liabilities were as follows:

	30 June 2023 £000	1 July 2022 £000
Opening defined benefit obligation	5,153	6,498
Interest on liabilities	190	115
Benefits paid	(441)	(445)
Experience losses on liabilities	184	217
Changes to demographic assumptions	(100)	(329)
Changes to financial assumptions	(520)	(903)
<b>Closing defined benefit obligation</b>	<b>4,466</b>	<b>5,153</b>

# BDO SERVICES LIMITED

## Notes to the Financial Statements For the Period Ended 30 June 2023

### 22. Other provisions (continued)

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2023 %	2022 %
Discount rate	5.15	3.50
Inflation assumption	3.55	3.50
Mortality rates (per S3PA_M tables with CMI 2022 / 2021 core projections using long-term improvement rate of 1% p.a.)		
Life expectancy of a male aged 65	21.7	22.2
Life expectancy of a male aged 70	16.5	17.0
Life expectancy of a female aged 65	23.9	24.3
Life expectancy of a female aged 70	18.7	19.1

### 23. Share capital

	30 June 2023 £000	1 July 2022 £000
<b>Allotted, called up and fully paid</b>		
10,001 (2022 - 10,001) Ordinary shares of £1.00 each	10	10

### 24. Dividends

	30 June 2023 £000	1 July 2022 £000
Dividends declared	5,000	13,000
	5,000	13,000

The dividends (2023 - £500 per ordinary share; 2022 - £1,300 per ordinary share) were paid during the course of the period.



# **BDO SERVICES LIMITED**

## **Notes to the Financial Statements For the Period Ended 30 June 2023**

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### **25. Related party transactions**

During the period, the Company sold services amounting to £4,677,516 (2022 - £2,900,000) to BDO Regulatory Solutions Limited, a 67% owned subsidiary of the Company.

At the period end, BDO Regulatory Solutions Limited owed £1,236,500 (2022 - £600,000) to the Company relating to a rolling credit facility which is repayable after one year.

The total remaining receivables due from BDO Regulatory Solutions Limited amounted to £105,839.

### **26. Post balance sheet events**

There were no adjusting or non-adjusting events after the reporting period.

### **27. Controlling party**

The company is a subsidiary of BDO LLP Limited, which is the immediate parent company incorporated in the UK. The registered office of BDO LLP Limited is 55 Baker Street, London, W1U 7EU.

The ultimate parent undertaking and controlling party is BDO LLP, a limited liability partnership incorporated in the UK and registered in England at 55 Baker Street, London, W1U, 7EU. Consolidated financial statements are only prepared in respect of BDO LLP which is the parent undertaking of the largest and smallest group of undertakings. Copies of the consolidated financial statements of BDO LLP are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.