

Ernst & Young LLP

Members' Annual Report and Financial Statements

2 July 2021

Registered No. OC300001
Registered in England and Wales



Members' report

The members present their report and financial statements for the 52 week period from 4 July 2020 to 2 July 2021 (the comparative period being the 53 weeks from 29 June 2019 to 3 July 2020).

Ernst & Young LLP

Ernst & Young Europe LLP ('EY Europe LLP') has voting control over Ernst & Young LLP and, indirectly, its subsidiaries (the "firm").

Management

The Europe Operating Executive (EOE) is responsible for strategy execution and management of EY Europe LLP. The EOE comprises: the Europe Managing Partner; the Deputy Europe Managing Partner; the Europe leaders of Accounts, Talent and Risk Management; the Europe service line leaders of Assurance, Consulting, Strategy and Transactions and Tax; and all Europe Regional Managing Partners. The EOE meets at least monthly.

The Country Managing Partner of the firm is appointed by the European Managing Partner, with the consent of the EOE. Hywel Ball was the Country Managing Partner and Chairman of the Board of the firm for the full period.

Throughout the year the firm was managed as two Regions: UK and Financial Services. The Country Managing Partner and, where different, the Managing Partners of each Region, formed the Board together with eight other members appointed by EY Europe LLP. The Board is responsible for the commercial, financial and reputational standing of the firm as a whole, implementing the admission of new members, maintaining liaison with members, approving the financial statements and other matters delegated to it from time to time by the EOE. Board members during the period were:

Omar Ali	(resigned: 1 January 2021)
Anna Anthony	(appointed: 1 January 2021)
Ian Baggs	(resigned: 8 October 2021)
Hywel Ball	
Justine Belton	(resigned: 8 October 2021)
Lisa Cameron	
Christabel Cowling	
Sue Dawe	(resigned: 8 October 2021)
Alison Duncan	(appointed: 8 October 2021)
Jane Goldsmith	(appointed: 1 November 2020)
Adam Munton	(appointed: 8 October 2021)
Deborah O'Hanlon	(resigned: 8 October 2021)
Lynn Rattigan	
Sundaresan Viswanathan	(appointed: 8 October 2021)
Andrew Walton	

The Board is also responsible for appointing the Designated Members. The Designated Members as of 2 July 2021 were Lisa Cameron, Lynn Rattigan and Hywel Ball.

Governance

EY Europe LLP has an elected Europe Governance Sub-Committee, which includes the Presiding Partner of each Regional Partner Forum in Europe. It serves in an advisory role to the EOE on policies, strategies and other matters. The Europe Governance Sub-Committee meets four times during the year. During the period, one representative on the Europe Governance Sub-Committee was a partner of Ernst & Young LLP.

The UK Audit Committee consists of four members of the UK firm who do not hold a management role. The Committee is responsible for considering the appropriateness of the financial statements and recommending that Designated Members approve and sign the financial statements on behalf of the members of Ernst & Young LLP.

Members' report

Tax governance

Our tax policy is one of transparency and cooperation with HMRC.

Our tax risk management strategy, which has operated for many years, is based on pursuing clarity and certainty on tax matters wherever feasible by raising significant compliance risks and uncertainties with HMRC and being compliant in law and regulation.

Our tax policy sets out an objective that all members must be on time and compliant with their personal tax filings and tax payments. The same objectives also apply to Ernst & Young LLP and its subsidiary entities.

Our tax team is required to operate according to the EY values, a clearly defined set of behaviours that includes acting with integrity and doing the right thing.

Commentary

Throughout the period, the COVID-19 pandemic has continued to affect people, businesses and communities. EY has a longstanding culture of flexible working and, in March 2020, we were able to rapidly mobilise our 17,000 people in the UK to work from home. We have continued to closely follow government guidelines and, as restrictions begin to ease, our focus now is on maximising the benefits of in-person collaboration with flexible remote working.

The experience of the pandemic has brought new perspectives to our people and our clients on how they manage their working lives. How EY uses offices in the future will change with a greater emphasis on collaboration rather than as a place for individual working. Offices are no longer expected to be the default location for work, but we will continue to value the benefits of in-person working for collaboration, relationship building, training and wellbeing. As a result, EY is transitioning to a hybrid working model in the UK, with the expectation that most of our people will normally spend at least two days a week working remotely with the remainder of their time spent working together in person at a client site or EY office.

Despite the challenging economic environment in the UK during the first half of the financial year, the firm has achieved revenue growth of 7.3%, increasing from £2,567m to £2,754m and net revenue increased by 8.7% from £2,183m to £2,373m. Acquisitions during the current and preceding period contributed revenue of £28m (2020: £12m). Proforma revenue for the firm for entities within the group before 29 June 2019 was £2,727m compared with revenue of £2,557m in the previous year. This represents underlying organic growth of 6.6%.

The statutory profit for the financial period increased from £509m in 2020 to £596m in 2021 whilst the corresponding average statutory profit per partner increased from £709,000 to £838,000 in 2021. The distributable profit before tax for the financial period increased from £479m in 2020 to £533m in 2021 and the corresponding average distributable profit per partner increased from £667,000 to £749,000.

The firm has achieved revenue growth across all four service lines with the strongest being Strategy and Transaction Services at 12.1%. This was followed by Consulting, Assurance and Taxation which generated growth of 9.5%, 5.8%, and 4% respectively.

Our Transparency Report (accessible on our website) describes our approach to risk management and internal control. It also sets out how we have adopted the Audit Firm Governance Code which is intended to promote confidence and choice in the UK audit market and to provide a benchmark of good governance practice. We continue to monitor developments in corporate governance and audit reform closely and are working with the Financial Reporting Council (FRC) towards implementing their operational separation principles.

Members' report

Going concern

A project team comprising experts from across our service lines and functions was formed at the start of the pandemic to advise the Board and shape our response, and now reports into the Board on a regular basis. This has enabled us to closely monitor the impact of COVID-19 on our business and act pro-actively.

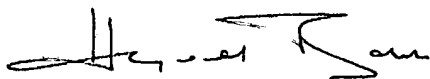
The firm has prepared multiple forecasts through to December 2022 focusing on the impact of a range of declines in revenue and cash collection rates. The forecasts include severe but plausible scenarios and the resulting impact on the firm's cash flows, borrowing facilities and associated covenants has then been considered, including reverse stress testing. As outlined in note 21, at the date of signing, the firm has committed borrowing facilities of £295m, of which £95m will expire within twelve months of the period end. In addition to the committed facilities, the Designated Members are confident that additional uncommitted facilities of £70m and committed facilities of £120m will be obtained in the short term. The scenarios indicate that the firm has sufficient facilities in place and no other mitigating actions will be required. The Designated Members are confident in the resilience of the business and believe that the firm is well placed to manage its business risks successfully, including those arising as a direct result of COVID-19.

The Designated Members therefore have a reasonable expectation that the firm has adequate resources to continue in operational existence for at least a year from the date of signing the financial statements and so continue to adopt the going concern basis of accounting in preparing the annual financial statements.

UK taxation of income

Under UK tax law, members of Ernst & Young LLP pay tax that is individually assessed on their share of profits. Income taxes are not assessed on the LLP itself and it is therefore not dealt with in these financial statements. The taxation payable on the LLP's profits is the personal liability of the members. A retention from profits is made to fund payments of taxation on members' behalf.

The tax expense recognised in these financial statements relates to corporate income taxes arising in the LLP's corporate subsidiaries at a rate of 19% (2020: 19%). Current tax liabilities are measured at the amount expected to be paid to the taxation authorities, based on tax rates and laws that are substantively enacted by the balance sheet date.



Hywel Ball
Chairman

Date: 22 October 2021

Energy and Carbon report

This report is provided to comply with the UK government's policy on Streamlined Energy and Carbon Reporting.

GHG emissions and energy data

	2021	2020
ENERGY CONSUMPTION TO CALCULATE EMISSIONS		
Gas combustion Kilowatt Hours ('kWh')	3,492,860	3,680,100
Purchased electricity kWh	13,363,343	19,065,884
Transport fuel kWh	326,588	5,482,909
Total energy consumption kWh	17,182,791	28,228,893
EMISSIONS		
Gas* combustion tonnes CO2 equivalent ('tCO2e') (Scope 1)	1	2
Purchased electricity tCO2e (Scope 2, location-based)	2,837	4,445
Business travel in employee-owned vehicles where the firm is responsible for purchasing the fuel* tCO2e (Scope 3)	102	1,710
Total gross emissions tCO2e based on above	2,940	6,157
INTENSITY RATIOS		
tCO2e per £m revenue	1.07	2.40
tCO2e per m2 of floorspace	0.03	0.06

* Sourced gas is biogas.

'Transport fuel' represents fuel used in personal cars on business use for which the firm reimburses its employees following claims for business mileage. Includes well-to-tank emissions.

Emissions relating to natural gas consumption are reported on a 'Gross Calorific Value' basis.

Methodology

The emissions and energy data noted above has been collated, calculated and presented using the methodology set out in WRI / WBSCD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004, including separate guidance on Scope 2 and Scope 3 emissions. Emissions conversion factors used are in accordance with the 'UK Government Conversion Factors for Company Reporting (Year: 2021, Expiry: 01/06/2022, Version 1.0) - DBEIS / DEFRA'.

For some office locations, primary energy consumption source data was not always available due to delays in receiving billing data from energy suppliers or landlords. Where primary source data was missing, estimates were derived based on energy consumption data for that same site in the previous month, or calculated using a 'kWh per m2' metric seen in comparable EY locations.

Energy and Carbon report

Renewable energy

When reporting emissions related to electricity consumption, the appropriate years' DEFRA / DECC UK grid average emissions conversion factors have been applied to all electricity purchased, including those from renewable sources, non-renewable sources and those where the source is unknown e.g. landlord-supplied electricity. In addition to the location-based figures above, we also calculate Scope 2 (purchased electricity) emissions using a market-based approach.

In FY21, 95% of all energy procured directly from energy suppliers for EY's UK offices was from certified renewable sources (i.e. electricity backed by Renewable Energy Guarantees of Origin and biogas certified under the Green Gas Certification Scheme).

Data assurance

As part of our commitment to corporate responsibility, and to help build confidence in the accuracy and completeness of the data reported, the firm's Climate Change & Sustainability Services team has conducted a review of the data included in this report.

Their review did not identify any errors or exclusions that would materially affect the accuracy and completeness of the data. For full details on the scope of the review and work-steps undertaken during this assurance process, please see our website: https://www.ey.com/en_uk/corporate-responsibility/approach-to-assurance-of-our-ghg-emissions-data

In addition, the firm's full emissions data set is audited by Carbon Trust on a bi-annual basis as a requirement of Ernst & Young LLP's certification to the Carbon Trust Standard. No issues were identified with the comparative period emissions data which was submitted during the last audit cycle in December 2020, for which we achieved a Carbon Management Performance score of 94%. The data provided in this Energy and Carbon Report will undergo such a review during our next recertification audit cycle, scheduled for December 2022.

Energy efficiency actions taken

Measures completed at our largest UK site in London Bridge during the reporting period included:

- Replacement of all fluorescent lighting and halogen lamps with equivalent LED fittings.
- A new digital lighting control system to automatically switch off lighting to non-occupied areas and reduce output when natural lighting is available.
- Installation of a new Trend-based Building Energy Management system to provide refined control of the Heating, Ventilation and Cooling (HVAC) systems and ensure energy efficiency is optimised. The system also provides sub metering of electrical supplies and virtual metering of energy consumed at the terminal units in the office space.

These works were completed in August 2020, despite challenges arising due to COVID-19. Data for the current reporting period indicates a reduction of 3.8m kWh compared to the prior reporting period - more than double the expected figure of 1.6m kWh. Whilst the pandemic undoubtedly directly impacted energy use throughout the current reporting period, it is clear that the above initiatives have also reduced electricity use beyond any pandemic-related impacts.

Energy consumption is closely monitored across all offices, but the opportunity for improving efficiencies in buildings where the firm is one of multiple tenants is often limited, due to having no direct control over central HVAC plant and equipment. In addition, the economic viability of investing in measures at sites with short-term leases must also be considered.

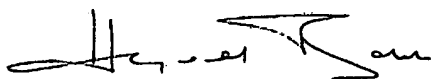
Energy and Carbon report

As such, whenever the firm relocates to new office space, minimum technical standards dictate that all building systems must be energy efficient in line with current best practice. Examples of where this approach has been applied during the current reporting period include the firm's new offices in Manchester, Edinburgh, Belfast and Aberdeen.

Following the pandemic it is anticipated that hybrid home / office working is likely to become more common. As a result, zonal occupancy planning to avoid heating and cooling unoccupied space is being considered to enable future energy reductions.

Additional voluntary reporting activities

The majority of the firm's carbon footprint comprises Scope 3 emissions from business travel i.e. fuel associated with transport (trains, flights, taxis and / or transportation of goods) where the firm does not operate the vehicle / service. Although this data is outside the mandatory requirements of the 'Energy and Carbon Report, the firm voluntarily reports a full carbon emissions data set (including all Scope 3 emissions from business travel) on an annual basis. This is available to view via the following website: https://www.ey.com/en_uk/corporate-responsibility/ghg-emissions-overview



Hywel Ball
Chairman
Date: 22 October 2021

A list of the members of the LLP can be found on the Companies House website.

Statement of members' responsibilities

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ('LLP Regulations') require the members to prepare financial statements for each financial period. The members have elected to prepare financial statements for the firm and the LLP in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

IAS 1 'Presentation of Financial Statements' requires that financial statements present fairly for each financial period the limited liability partnership's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Members are also required to:

- properly select and apply accounting policies;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the firm's and the LLP's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under the LLP Regulations, the members are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the firm and the LLP, and which enable them to ensure that the financial statements will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the firm and LLP and to prevent and detect 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.

The members' responsibilities set out above are discharged by the Designated Members on behalf of the members. The Designated Members at the date of approval of the financial statements confirm that, so far as they are aware, there is no relevant information of which the firm and LLP's auditors are unaware and each Designated Member has taken all the steps that ought to have been taken by them as members to make themselves aware of any relevant audit information and to establish that the firm and LLP's auditors were aware of that information.

The firm, which is part of the EY global network, has considerable financial resources, contracts with a large number of clients across different industries and geographies and has talented and motivated partners and employees. Information about its capital and exposure to liquidity risk is set out in notes 14 and 21 to the financial statements. The Designated Members believe that the firm and LLP are well placed to manage its business risks successfully, despite the current uncertain economic outlook, and have a reasonable expectation that the firm and LLP have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements (see Members' report).

Independent auditor's report

to the members of Ernst & Young LLP

Opinion on the financial statements

In our opinion:

- 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 2 July 2021 and of the Group's profit and the Limited Liability Partnership's profit for the period then ended;
- the Group and Limited Liability Partnership's financial statements have been properly prepared in accordance with international accounting standards in conformity with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

We have audited the financial statements of Ernst & Young LLP ('the Limited Liability Partnership' or 'EY') and its subsidiaries ('the Group') for the period ended 2 July 2021 which comprise the Consolidated and Limited Liability Partnership's Income Statements, the Consolidated and Limited Liability Partnership's Statements of Comprehensive Income, the Consolidated and Limited Liability Partnership's Balance Sheets, the Consolidated and Limited Liability Partnership's Statements of Cash Flows, the Consolidated and Limited Liability Partnership's Statements of Changes in Members' Interests and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 are independent of the Group and the Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Limited Liability Partnership'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.

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

Independent auditor's report

to the members of Ernst & Young LLP

Overview

Coverage	99% (2020: 99%) of Group profit before taxation 98% (2020: 98%) of Group revenue 98% (2020: 98%) of Group total assets		
Key audit matters		2021 KAM 1 Revenue recognition and valuation of unbilled receivables KAM 2 Completeness and valuation of provisions for professional liability claims and regulatory matters KAM 3 Valuation of defined benefit pension liabilities KAM 4 - KAM 5 - KAM 4 is no longer considered to be a key audit matter because the system migration was successfully implemented in the prior year. KAM 5 is also no longer considered to be a key audit matter because first time adoption of this accounting standard was completed in the prior year. Within this report, key audit matters are identified as follows when compared to the prior period: — Newly identified ▲ Increased level of risk ► Similar level of risk ▼ Decreased level of risk	2020 Revenue recognition and valuation of unbilled receivables Completeness and valuation of provisions for professional liability claims and regulatory matters Valuation of defined benefit pension liabilities Accounting system migration Implementation of IFRS 16 leases
Materiality	The materiality that we used for the Group financial statements was £27m (2020: £26m) which was determined by applying 5% to a 3 year average benchmark of profit before taxation for the period ended 2 July 2021. Materiality for the Limited Liability Partnership financial statements was set at £26.0m (2020: £24.4m)		

Independent auditor's report

to the members of Ernst & Young LLP

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. We designed an audit strategy to ensure we have obtained the required audit assurance for each component, including the Limited Liability Partnership, for the purposes of our Group audit opinion.

The scope of our work for the Group audit focused on two significant components (2020: two), which were both subject to full scope audit procedures by BDO LLP.

These significant components contribute 99% (2020: 99%) of the Group profit before tax and 98% (2020: 98%) of the Group revenue. The two components considered to be significant were Ernst & Young LLP, the parent entity, and Ernst & Young Services Limited.

All other components were non-significant and scoped in for analytical review procedures to confirm our conclusion that there were no significant risks of material misstatement for the consolidated financial information.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and the direction of efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

to the members of Ernst & Young LLP

Revenue recognition and valuation of unbilled receivables ►

Key audit matter description

The Group's accounting policy in respect of revenue recognition and their assessment of significant estimates are described in note 2 on page 24 and 25 respectively. Other related disclosures are presented in notes 3 and 13.

Revenue is recognised by reference to the stage of completion of the contract with a customer. This requires judgements and estimates in order to identify the performance obligations, the stage of completion, and the amount to be recognised as revenue, over time or at a point in time, in accordance with the specific contract with the customer.

To determine the timing of the recognition of revenue and the value of unbilled receivables to be recognised in the balance sheet, an estimate has to be made of the stage of completion of a performance obligation and the right to consideration at the period-end for each individual engagement.

This can involve complex and subjective judgements in determining the stage of completion of performance obligations and the value of future consideration receivable.

This results in revenue recognition and the valuation of unbilled receivables being assessed as a significant risk of material misstatement and a key audit matter.

How the scope of our audit addressed the key audit matter

Control design: In components subject to full scope procedures, we evaluated the design and implementation of relevant controls in the revenue cycle intended to ensure revenue is recognised at the correct amount and in the correct period.

Test of controls: The effectiveness of key controls in the revenue cycle has been tested in significant components where revenue is an audit risk. This included signing of the contract with the customer, the accuracy of timecards, costs incurred on engagements, the automatic calculation of unbilled receivables and the confirmation of the stage of completion at the period end.

Tests of detail: For engagements open at the period end, we used specific characteristics of audit interest to identify outliers in the population. We examined a sample of engagements that met these characteristics:

- Re-calculated the expected revenue to conclude whether it was determined in line with contractual terms and the Group's accounting policy and ensured revenue recognition was in accordance with the requirements of the accounting framework.
- Challenged the stage of completion, revenue recognised, and any provisions held against unbilled amounts through inquiry with the engagement teams and through obtaining corroborating evidence.
- Performed a retrospective review of the samples selected for testing in the prior period against updated or finalised information to assess the accuracy of management's estimates.

Key observations

We did not identify any significant deficiencies in internal control related to revenue recognition as a result of our audit work.

Based on the work performed we did not identify any indications that revenue or unbilled receivables are materially misstated.

Independent auditor's report

to the members of Ernst & Young LLP

Completeness and valuation of provisions for professional liability claims and regulatory matters



Key audit matter description	The accounting policy for provisions in respect of claims and regulatory matters is included within note 2 on page 27 and noted as a financial statement area subject to significant accounting estimation. The disclosures associated with claims and regulatory matters are included in note 18. In accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', provision is made for claims for alleged professional negligence and regulatory matters when there is a present obligation as a result of a past event that gives rise to a probable payment and when the quantum of the payment can be reliably estimated. Determining whether to provide and if so, the amount to provide, involves a high degree of judgement and estimation uncertainty as to the costs to defend or settle these actual or potential matters. This results in completeness and valuation of provisions for professional liability claims and regulatory matters being assessed as a significant risk of material misstatement and a key audit matter.
How the scope of our audit addressed the key audit matter	Control design: In components subject to full scope procedures, we evaluated the design & implementation of relevant controls established by management to ensure completeness of provisions recognised for claims and regulatory matters. Test of controls: The operating effectiveness testing of relevant internal controls principally related to the completeness of the provisions for professional liability claims and regulatory matters. Tests of detail: Other audit procedures performed over the completeness and valuation of professional liability claims and regulatory matters included: • Inspection of documentation verifying the existence of the Group's professional indemnity insurance cover and appropriateness of recognising reimbursements as relevant. • Enquiry of the Group's legal counsel and where applicable external counsel as to the status of claims and action by regulatory bodies, corroborated to internal and where available third party documentation. • Obtaining and reviewing publically available information to determine whether the information obtained was complete. • Challenging judgements and estimates in relation to quantum and timing used to calculate the provisions by obtaining supporting documentation and considering management's ability to exercise bias. • Performing a retrospective review of a sample of prior period claims provisions against updated or finalised information to assess the accuracy of management's previous estimates. • Considering the adequacy of the presentation and disclosures related to professional claims and regulatory matters.
Key observations	We did not identify any significant deficiencies in internal control related to professional liability claims as a result of our audit work.

Independent auditor's report

to the members of Ernst & Young LLP

We did not identify, either from external or internal sources, any material claims or regulatory matters or circumstances not already included in the internal reporting procedures.

Based on the work performed, we did not identify any inappropriate judgements or estimates made by management in determining the provision for claims and regulatory matters.

We did not identify any disclosure deficiencies in relation to the disclosures in note 2 and 18 that describe the significant degree of inherent uncertainty in the assumptions and estimates used in valuing the provisions relating to claims and regulatory matters.

Valuation of defined benefit pension liabilities ►

Key audit matter description

The accounting policy and related disclosures for defined benefit pension schemes are shown in note 2 on page 28 and in note 20.

The gross defined benefit pension scheme liabilities are measured on an actuarial basis using the projected unit credit method which includes assumptions relating to mortality and is discounted at a rate determined by reference to the current estimated rate of return on high quality sterling corporate bonds of equivalent term to the scheme liabilities. The provisions for these post-employment benefits currently result in a significant defined benefit pension scheme deficit.

The measurement of these liabilities in accordance with IAS 19 (Revised) 'Employee benefits' is based on a number of variables requiring significant judgment and complex actuarial assumptions and calculations. The provisions accounted for are sensitive to variation in the underlying assumptions; as a result, small variations in those assumptions can lead to a materially different value of the defined benefit pension scheme obligations.

This results in the measurement of pension scheme liabilities being assessed as a significant risk of material misstatement and a key audit matter.

How the scope of our audit addressed the key audit matter

Test of detail: Our audit procedures performed included:

Consideration of the appropriateness and adequacy of the audit evidence provided by the Group's internal actuaries, including:

- Assessing the accuracy of the underlying member data used by the Group's internal actuaries by reviewing the service auditors report on the internal control environment of the external administrator to ensure underlying data and transactions can be relied upon.
- Engaging our own actuarial specialist to independently challenge management's assumptions and valuation methodology for the pension liabilities, whilst considering the ability of management to exercise bias when setting assumptions or applying methodology.

Ensuring the disclosures in the financial statements are appropriate and in line with the requirements of the relevant accounting standards.

Recalculating the disclosed sensitivities of the key assumptions used by management in determining the amount of the defined benefit pension liability.

Independent auditor's report

to the members of Ernst & Young LLP

Key observations	We consider that the evidence provided by the Group's internal actuaries was appropriate and agreed to underlying records. Based on the work performed, we did not identify any inappropriate assumptions made by management or indications of bias in determining the defined benefit pension liabilities and that the assumptions did not fall outside acceptable ranges. We did not identify any deficiencies in relation to the disclosure in notes 2 and 20 to the financial statements that describes the significant degree of uncertainty in the underlying assumptions and estimates.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group		Parent Limited Liability Partnership	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	£27.0m	£26.0m	£26.0m	£24.4m
Basis for determining materiality	For 2021 based on 5% of profit before taxation based on the 3 year average. For 2020 based on 5% of profit before taxation.		For 2021 based on 5% of profit before taxation based on the 3 year average. For 2020 based on 5% of profit before taxation.	
Rationale for the benchmark applied	Profit before taxation is a principal consideration for users of the financial statements in assessing the financial performance. A three year average was applied to normalise the impact of the higher results in the current year.			
Performance materiality	£20.0m	£19.0m	£19.0m	£18.0m
Basis for determining performance materiality	75% of materiality (rounded down to the nearest £m)			

Independent auditor's report

to the members of Ernst & Young LLP

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality of the Group should be set at 75% (2020: 75%) of the above materiality level. Performance materiality is the amount set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. We use performance materiality to determine the extent of our testing.

Component materiality

We set materiality for each significant component of the Group based on individual component profit before taxation or direct costs. Significant component materiality ranged from £14.5m to £26.0m (2020: £14.6m to £24.4m). In the audit of each component, we further applied performance materiality levels of 75% (2020: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £1m (2020: £1m). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Members are responsible for the other information. The other information comprises the information included in the Members' annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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 in this regard.

Other Companies Act 2006 reporting as applied to limited liability partnerships

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

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

Independent auditor's report

to the members of Ernst & Young LLP

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's 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 auditor's 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the Limited Liability Partnership and the industry in which it operates, and considered the risk of acts by the Group that would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 and international accounting standards. We also identified UK corporate, payroll and sales tax laws, employment legislation, data protection laws, anti-money laundering regulations as applicable laws and regulations, 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 which we concluded are linked with the key performance indicators, specifically revenue and profit available for distribution to members, and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

We focused on laws and regulations that could give rise to a material misstatement in the Group and Limited Liability Partnership's financial statements. Our tests included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of key management personnel and those charged with governance including the General Counsel, the Chair & Managing Partner and the Audit Committee.
- Review of minutes of Board and other Executive management meetings throughout the period; and

Independent auditor's report

to the members of Ernst & Young LLP

- Obtaining an understanding of the control environment for monitoring compliance with laws and regulations and to deter and detect fraud and whether the lack of such controls would increase the susceptibility of the financial statements to fraud.

We focused on specific areas of the financial statements where material misstatement due to fraud was deemed to be a risk.

We assessed the fraud risk in revenue recognition to be the valuation of revenue recognised on contracts that are incomplete at period end. To address this the risk, our procedures performed included, but were not limited to:

- Testing of the operating effectiveness of relevant controls in the revenue cycle in relation to unbilled receivables. This included signing of customer contracts, timecard postings, automatic calculation of unbilled receivables and period end stage of completion confirmations; and
- Additional procedures on a sample of open engagements at period end selected on a risk based criteria. This included ensuring compliance with applicable accounting standards, recalculating expected revenue, performing a retrospective review of prior period samples against updated information to assess management's assessment, and challenging the stage of completion, revenue recognised and provisions held against unbilled amounts.

The auditor's responsibilities relating to fraud in an audit of financial statements requires us to presume that the risk of management override of controls is present and significant. Our procedures in this area included, but were not limited to, the following:

- Considering the adequacy of controls surrounding possible fraud areas, including changes to supplier and payroll details and assessing the adequacy of segregation of duties;
- Establishing if there have been any transactions outside the normal course of business and assessing the rationale of any such transactions;
- Examining the business rationale for a sample of journals posted during the period that exhibit characteristics of audit interest and corroborating these to underlying supporting documentation;
- Testing the appropriateness of a sample of journals made during the course of the financial statements preparation;
- Making enquiries of those charged with governance and of senior management to determine whether they are aware of any suspected, alleged, or known frauds; and
- Challenging and assessing the appropriateness of the estimates and judgements made by management in preparing the financial statements having regard to supporting evidence and historical outcomes. The key estimates and judgements were identified as revenue recognition, accounting for lease liabilities, provisions for claims and other regulatory matters and the estimates used in calculating the defined benefit pension obligations.

Our audit procedure were designed to respond to the risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report

to the members of Ernst & Young LLP

Use of our report

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Diane Campbell
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Diane Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

22 October 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the period ended 2 July 2021

		2021 (52 weeks) £m	2020 (53 weeks) £m
	Notes		
Fee income	3	2,754	2,567
Expenses billed to clients		(381)	(384)
Net revenue		2,373	2,183
Other operating income		292	332
Operating expenses	4	(2,040)	(1,976)
Operating profit		625	539
Finance revenue		1	1
Finance costs	6	(15)	(18)
Profit before taxation		611	522
Tax expense in corporate subsidiaries		(15)	(13)
Profit for the financial period		596	509

Reconciliation to profit distributable to members

Profit for the financial period (in accordance with IFRS) (before tax)		611	522
Adjustments made in determining distributions	7	(58)	(36)
Fixed allocation of current period profits		(20)	(7)
Profit for the financial period distributable to members (before tax)		533	479
Tax expense in corporate subsidiaries		(15)	(13)
Profit for the financial period remaining to be divided (after tax)		518	466

Consolidated statement of comprehensive income

for the period ended 2 July 2021

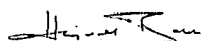
		2021 (52 weeks) £m	2020 (53 weeks) £m
	Note		
Profit for the financial period		596	509
<i>Items that will not be reclassified to profit or loss:</i>			
Net remeasurement gains/(losses) on retirement benefit liabilities	20	77	(224)
Fair value losses on equity investments		(5)	(4)
Total comprehensive income for the financial period		668	281

Consolidated balance sheet

at 2 July 2021

Registered number OC300001

	Notes	2 July 2021 £m	3 July 2020 £m
Assets			
Non-current assets			
Intangible assets and goodwill	8	73	35
Plant and equipment	9	108	122
Right-of-use assets	10	321	367
Investments	12	33	32
		<u>535</u>	<u>556</u>
Current assets			
Trade and other receivables	13	731	798
Amounts due from members		54	58
Prepayments		7	33
Cash and cash equivalents		385	185
		<u>1,177</u>	<u>1,074</u>
Total assets		<u>1,712</u>	<u>1,630</u>
Equity and liabilities			
Current liabilities			
Trade and other payables	15	381	423
Payments on account		121	87
Interest-bearing loans and borrowings	16	50	–
Lease liabilities	17	43	44
Provisions	18	11	–
Members' capital		3	6
		<u>609</u>	<u>560</u>
Non-current liabilities			
Lease liabilities	17	321	365
Provisions	18	70	38
Annuity obligations	19	27	32
Retirement benefit liabilities	20	267	401
		<u>685</u>	<u>836</u>
Members' capital		170	168
Total liabilities		<u>1,464</u>	<u>1,564</u>
Equity: Members' other interests		<u>248</u>	<u>66</u>
Total equity and liabilities		<u>1,712</u>	<u>1,630</u>



Hywel Ball
Designated Member
Date: 22 October 2021



Lynn Rattigan
Designated Member
Date: 22 October 2021

Consolidated statement of cash flows

for the period ended 2 July 2021

	Notes	2021 £m	2020 £m
Profit before taxation		611	522
Adjustment for:			
Net finance costs		14	17
Depreciation, impairment and amortisation		73	70
(Profit)/loss on disposal of plant and equipment		(1)	1
Retirement benefit contributions net of plan administration expenses	20	(36)	(36)
Net past service credit on retirement benefit obligations	20	(23)	–
Loss on corporate bonds funds		2	–
Decrease in trade and other receivables		105	65
(Decrease)/increase in trade and other payables		(21)	63
Increase in provisions and annuity obligations		37	4
Cash generated from operations		761	706
Corporate tax paid by subsidiaries		(17)	(21)
Net cash inflows from operating activities		744	685
Purchase of plant and equipment		(29)	(35)
Proceeds from sale of plant and equipment		11	6
Proceeds from sale of corporate bonds		–	3
Net (acquisition)/disposal of investments		(8)	1
Acquisition of subsidiaries, net of cash acquired	11	(34)	(15)
Interest received		1	–
Net cash outflows from investing activities		(59)	(40)
Payments to and on behalf of members		(485)	(469)
Members' capital introduced		17	20
Repayment of capital to retiring members		(18)	(12)
Proceeds from loan	16	50	–
Payment of lease liabilities including interest	17	(48)	(49)
Other interest paid		(1)	(3)
Net cash outflows from financing activities		(485)	(513)
Net increase in cash and cash equivalents		200	132
Cash and cash equivalents at beginning of period		185	53
Cash and cash equivalents at end of period		385	185

Consolidated statement of changes in members' interests

for the period ended 2 July 2021

	<u>Members' other interests</u>				<u>Amounts due</u>		<u>Total</u>
	<u>Profits to be divided</u>	<u>Other reserves</u>	<u>Fair value reserves</u>	<u>Total equity</u>	<u>Members' capital</u>	<u>to/(from) members</u>	<u>members' interests</u>
	£m	£m	£m	£m	£m	£m	£m
At 28 June 2019	463	(218)	10	255	166	(62)	359
Total comprehensive income	509	(224)	(4)	281	–	3	284
Transfers between reserves	(36)	36	–	–	–	–	–
Profit allocations	(470)	–	–	(470)	–	470	–
Payments to and on behalf of members	–	–	–	–	–	(469)	(469)
Capital introduced	–	–	–	–	20	–	20
Capital repaid	–	–	–	–	(12)	–	(12)
At 3 July 2020	466	(406)	6	66	174	(58)	182
Total comprehensive income	596	77	(5)	668	–	3	671
Transfers between reserves	(58)	58	–	–	–	–	–
Profit allocations	(486)	–	–	(486)	–	486	–
Payments to and on behalf of members	–	–	–	–	–	(485)	(485)
Capital introduced	–	–	–	–	17	–	17
Capital repaid	–	–	–	–	(18)	–	(18)
At 2 July 2021	518	(271)	1	248	173	(54)	367

Notes to the financial statements

at 2 July 2021

1. Corporate information

Ernst & Young LLP is a limited liability partnership, incorporated and domiciled in England and Wales.

The group and LLP financial statements of Ernst & Young LLP for the period ended 2 July 2021 were approved and authorised for issue by the Board on behalf of the members on 22 October 2021.

The principal activity of Ernst & Young LLP is the provision of assurance, consulting, taxation and strategy and transactions services in the UK and the Channel Islands. Its registered office is at 1 More London Place, London SE1 2AF.

2. Accounting policies

Basis of preparation

The group and LLP financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS").

The financial statements have been prepared on the accruals basis of accounting using a number of measurement bases, including historical cost and fair value, as set out in the accounting policies below. The financial statements have been prepared on a going concern basis. The designated members have concluded that it is appropriate to adopt this basis having considered multiple forecasts covering a period to up 31 December 2022. The forecasts consider the impact of COVID-19 in a range of severe but plausible scenarios including varying declines in revenue and collection rates. The impact on the firm's cash flows, borrowing facilities and associated covenants has then been considered, including reverse stress testing. The firm has committed borrowing facilities of £295m. In addition the Designated Members are confident that additional uncommitted of £70m and committed facilities £120m will be obtained in the short term. The designated members have therefore concluded that there is no material uncertainty relating to going concern and that it is appropriate to present the financial statements of the group and the LLP on a going concern basis. Further details of this assessment can be found within the Members' report.

The functional currency of the LLP and its subsidiaries is pounds sterling. The financial statements are presented in pounds sterling and, unless otherwise indicated, are rounded to the nearest million pounds (£m).

The financial statements have been drawn up for the 52 week period from 4 July 2020 to 2 July 2021 (the comparative period being the 53 weeks from 29 June 2019 to 3 July 2020).

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires the application of judgement and the use of estimates that affect the amounts reported for assets, liabilities, revenues and expenses. Information about these judgements and estimates is included in the accounting policies and other notes. Although estimates are based on the best information available, actual outcomes could differ from the amounts included in the financial statements.

Judgements

- Establishing the likelihood of a cash outflow from a claim (page 27)
- Leases - determining incremental borrowing rate and lease term where there are options to extend or terminate (page 26)
- The firm's unconditional right to a refund of any surplus in its defined benefit pension scheme (page 28)

Estimates

- Revenue recognition – estimating the costs to complete and the value of unsatisfied/partially satisfied performance obligations (page 25)
- Determining the quantum of a claim (page 27)
- Measuring the defined benefit pension scheme liabilities (page 28)

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Basis of consolidation and business combinations

The group financial statements include the financial statements of Ernst & Young LLP and the entities it controls (its subsidiaries) drawn up to 2 July 2021. Control is achieved when the firm is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-firm balances and transactions have been eliminated in full.

Business combinations are accounted for using the acquisition method. When a business is acquired its identifiable assets and liabilities are measured at fair value at the acquisition date. Goodwill is measured at the excess of the consideration over the net identifiable assets and liabilities acquired less any accumulated impairment losses. Contingent consideration is recognised at fair value at the acquisition date, with subsequent changes in fair value recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences are recognised in the income statement as they arise.

Revenue recognition

Fee income represents revenue earned under a wide variety of contracts with clients to provide professional services. Revenue is recognised when services are transferred to the client at an amount that reflects the consideration to which the firm expects to be entitled in exchange for those services.

Each contract is assessed to identify the performance obligation(s) and to estimate the total transaction price. The transaction price includes variable consideration only to the extent that it is highly probable it will not be subsequently reversed. The total transaction price is then allocated to each performance obligation within the contract.

The firm typically recognises the transaction price as revenue over time because most contracts give the firm the right to receive payment for work performed to date. Where this is not the case, the firm recognises revenue at a point in time, typically when the service has been completed and delivered to the client.

When recognising revenue over time, the firm measures progress towards complete satisfaction of the performance obligations using time and costs incurred as a proportion of the total estimated time and costs. The firm considers this to be the best measure of how services are transferred to clients over time.

The firm has concluded that it is the principal in the majority of its revenue arrangements, including where work is performed by other EY Member Firms, on the basis that the firm typically controls the services before transferring them to the client.

Payment terms are negotiated separately with each client, but typically involve periodic billings as services are provided. Where amounts billed to clients are less than the revenue recognised at the period end date, the difference is recognised as unbilled receivables. Where the amounts billed exceed the revenue recognised at the period end date, the difference is recognised as payments on account. The performance obligations related to any payments on account are generally satisfied within a year of such billing.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Revenue recognition (continued)

Significant estimates

In determining the amount of revenue to be recognised on incomplete performance obligations, it is necessary to estimate the stage of completion, the remaining time and costs to be incurred and the amounts that will be received for the services provided. These estimates, which are normally resolved within a year of the reporting date when the performance obligation has been fully satisfied and fees agreed, are made at a performance obligation level and a different assessment of any of these factors would result in a change to the amount of revenue recognised.

The effect of making different assessments could, in aggregate, have a material effect on the carrying amounts of unbilled receivables (which are shown in note 13 and 28) and/or payments on account. Revenue recognised in the current year in respect of performance obligations satisfied, or partially satisfied, in previous years amounted to £50m (2020: £15m), and includes revisions to such estimates.

Other operating income

Income earned from providing support services and the recharge of the cost of staff and members to other entities within the EY global network is recognised on the same basis as fee income and included in other operating income. Other operating income also includes insurance proceeds which are recognised when virtually certain.

Taxes

The taxation payable on the LLP's profits is the personal liability of the members and as a result such amounts are not dealt with in these financial statements. A retention from profits is made to fund payments of taxation on members' behalf.

The tax expense relates to corporate income taxes arising in the LLP's corporate subsidiaries at a rate of 19% (2020: 19%). Current tax liabilities are measured at the amount expected to be paid to the taxation authorities, based on tax rates and laws that are substantively enacted by the balance sheet date.

Plant, equipment and intangible assets

Plant, equipment and intangible assets are stated at cost less accumulated depreciation or amortisation and any impairment in value. The initial cost of an asset (other than one acquired in a business combination) comprises its purchase price and any costs directly attributable to bringing the asset into operation.

Depreciation or amortisation is charged so as to write off the cost of assets to their residual value over their expected useful lives using the straight-line method. The expected useful lives are as follows:

Leasehold property improvements	–	The shorter of the lease term and 10 years
Computer equipment	–	2, 3 or 5 years
Furniture and other equipment	–	5 to 7 years
Motor vehicles	–	5 years
Intangible assets	–	5 to 12 years

An item of plant and equipment or an intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognising the asset is included in the income statement. The residual values, useful lives and depreciation or amortisation methods of assets are reviewed, and adjusted if appropriate, at each financial period end.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Leases

A lease is a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are accounted for as a right to use the underlying asset and a lease liability from commencement date (i.e., the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term of between 2 to 19 years.

Lease liabilities are measured initially at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. The present value is determined using the firm's incremental borrowing rate (IBR) as the interest rate implicit in leases is not readily determinable.

Thereafter the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the remaining lease payments, for example following a rent review; the IBR is revised when a lease is modified or the lease term changes.

Significant judgements

The firm cannot readily determine the interest rate implicit in its leases, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the firm would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available including the use of certain entity-specific estimates.

The firm also determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease, if it is reasonably certain to be exercised, or any options to terminate the lease, if it is reasonably certain not to be exercised.

Several of the firm's lease contracts include extension and termination options and judgement is applied in evaluating whether it is reasonably certain the lease will continue into these optional periods.

Of the total lease liability at the end of the period, £11m (2020: £29m) relates to reasonably certain periods, that is those covered by extension options that the firm considers it is reasonably certain to exercise, and termination options that it considers it is reasonably certain not to exercise. The undiscounted lease payments for periods that are not reasonably certain are £210m (2020: £198m).

After the commencement date, the firm reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The effect of a change in the judgements made could have a material effect on the carrying value of the lease liability and right-of-use asset which are shown in notes 17 and 10 respectively.

Impairment of non-financial assets

The carrying value of non-financial assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and goodwill is tested for impairment annually. If the carrying amount of an asset (or associated cash generating unit) is higher than its recoverable amount an impairment loss is recognised in the income statement.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Financial instruments

The firm recognises financial instruments when it becomes party to the contracts that give rise to them and they are derecognised on settlement. They are measured initially at fair value, normally being the transaction price. The subsequent accounting treatment depends on the classification of an instrument as set out below:

Receivables

Receivables are carried at amortised cost using the effective interest method if the time value of money is significant. Client debtors are carried at original invoiced amounts, less an allowance for all expected credit losses

Investments

Investments in equity instruments are designated at fair value with gains and losses recognised in other comprehensive income. Their value is determined by reference to recent sales prices if available or under a discounted cash flow model using projected cashflows unless cost is considered a reasonable approximation of fair value (level 3 in the fair value hierarchy).

Investments in corporate bond funds are classified at fair value through profit and loss. Fair values are determined based on unadjusted quoted price in active markets (level 1 in the fair value hierarchy).

Investments in subsidiaries are carried at cost less provision for impairment.

Financial liabilities

Financial liabilities, including members' capital and other payables, are carried at amortised cost using the effective interest method if the time value of money is significant. Trade payables are generally carried at the original invoiced amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and short-term deposits with an original maturity of less than three months that are readily convertible to known amounts of cash. For the purpose of the cash flow statement, cash equivalents are as defined above, net of outstanding bank overdrafts.

Provisions and contingencies

Provisions are recognised when the firm has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount of the provision represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. In the case of the surplus property provision this relates to the estimated cost of dilapidations. If the effect of the time value of money is material, the expected future cash flows are discounted at a rate that reflects current market assessments of the time value of money and, where appropriate, risks specific to the liability. Any increase in the provision due to the passage of time is recognised as a finance cost, and any increases due to revised estimates are recognised as an operating expense.

Significant estimates and judgements

In determining whether a provision should be recognised in respect of alleged professional negligence claims or regulatory matters, it is necessary to make a judgement as to whether the firm has a present obligation as a result of a past event that gives rise to probable payments and, if so, whether the obligation can be reliably estimated. When a provision is recognised the amount is based on the estimated cost to the firm of defending and settling claims. These judgments and estimates are made on a claim by claim basis and take account of all available evidence at the period end. A different assessment could result in a change to the amount of provision recognised, particularly when a matter is at an early stage. The effect of making different assessments could, in aggregate, have a material effect on the carrying amount of the claims provision, which is shown in note 18, and operating expenses. To the extent a claim is covered by insurance, the effect on operating expenses of changes to the provision will be mitigated by changes to the associated reimbursement right, once the amount of the claim exceeds the insurance deductible.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Provisions and contingencies (continued)

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognised but are disclosed unless the possibility of settlement is considered remote. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Reimbursements from insurance policies that would be due on settlement of a provision are recognised as an asset. Separate disclosure is not made of any individual claim or of expected insurance recoveries where that disclosure might seriously prejudice the position of the firm.

Pensions and post-retirement healthcare benefits

Contributions to defined contribution schemes are charged to the income statement when they become payable. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Defined benefit pension and post-retirement healthcare benefit scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at a rate determined by reference to the current estimated rate of return on a high quality sterling corporate bond of equivalent term to the scheme liabilities. Defined benefit pension scheme assets are measured at fair value. Actuarial valuations are performed as at each balance sheet date based on full valuations obtained at least triennially and updated for subsequent changes in material assumptions. The resulting net defined benefit asset or liability is presented separately on the face of the balance sheet.

Significant estimates and judgements

Estimating the defined benefit obligation for the firm's pension scheme requires assumptions to be made about a number of financial and demographic variables. The assumptions used change from year to year which has a consequential effect, often material, on the measurement of the obligation and, primarily, other comprehensive income. The most significant variables are inflation rates, the discount rate and life expectancy rates and the assumptions used together with a sensitivity analysis showing the impact of changes in those assumptions are set out in note 20 along with the amount of the obligation.

The trustees cannot unconditionally wind up the plan or use a surplus to enhance member benefits without employer consent. Therefore whilst not explicit in the trust deed, the firm considers that it has an unconditional right to a refund of any surplus in the scheme, assuming the gradual settlement of the plan liabilities over time.

The net interest cost, determined by applying the discount rate to the net liability at the start of the period, is recognised as a finance cost. Remeasurements of the net liability, comprising actuarial gains and losses and returns on plan assets (excluding amounts included in net interest), are recognised in other comprehensive income.

Members' participations

Members' participations give rise to a number of rights, obligations and entitlements which result in the recognition by the firm of various assets, liabilities and residual interests in its net assets (i.e. equity) as set out below.

Members' capital

Members' capital, which is repayable when membership ceases, is accounted for as a financial liability.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Allocation of profits

Profits are allocated for division amongst members at the discretion of the Board with the approval of EY Europe LLP. The members participate fully in the firm's allocated profits. Unrealised gains, including those arising on investments, are allocated for division amongst members when realised. Amounts paid to members in advance of profit allocation are recoverable from them and are recognised as a receivable. Profit allocations are recognised as a deduction from equity when payment is no longer discretionary.

Members' annuities

Members are required to make their own provision for pensions by contributing to personal pension plans. However, contractual arrangements exist under the terms of which certain former and current members are entitled to receive annuities following their retirement in respect of services rendered prior to 1996. The estimated payments are included within annuity obligations which are valued on an actuarial basis and accounted for as a provision.

Members' interests

Members' other interests include profits to be divided and other equity reserves. In the event of a winding up, members' other interests along with members' capital rank after unsecured creditors.

Total members' interests represent the firm's equity and members' capital, less amounts due from members.

Charges in respect of the EY network

EY Member Firms, including Ernst & Young LLP, have entered into agreements under which certain expenses of, and investments in, the global network will be charged to the Member Firms. An annual charge is levied on each Member Firm existing at the time based on a percentage of the Member Firm's revenues for that period. These charges are recognised as an expense in the period in which the revenues are earned. No liability is recognised in respect of potential future charges because no current obligation is considered to arise at the year end.

New and amended accounting standards and interpretations and other changes to the financial statements

A number of standards and other pronouncements have been issued and were effective for the financial period. These are either not applicable to the group and LLP or have not had any significant impact on the group and LLP's financial statements.

A number of standards and other pronouncements are in issue that are not yet effective and have not been adopted, none of which are expected to have a material impact on the financial statements.

Notes to the financial statements

at 2 July 2021

3. Fee income

	2021 £m	2020 £m
Assurance services	734	694
Consulting services	668	610
Taxation services	815	784
Strategy and transactions services	537	479
	<u>2,754</u>	<u>2,567</u>

Future revenue to be recognised by the firm from satisfaction of performance obligations that were unsatisfied or partially unsatisfied at the period end was estimated to be £1,400m (2020: £1,000m) of which £200m (2020: £200m) is expected to be recognised in more than one year.

4. Operating expenses

	2021 £m	2020 £m
Staff costs (note 5)	1,411	1,365
Other operating charges (including depreciation and amortisation)	629	611
	<u>2,040</u>	<u>1,976</u>

Fees payable to the LLP's auditor for the audit of the group and LLP financial statements were £396,000 (2020: £460,000). Fees payable to the LLP's auditor and their associates for the audit of subsidiary financial statements were £120,000 (2020: £95,000). Fees paid to the firm's auditors for non-audit services were £6,000 (2020: £6,000) for the audit of grant claims and £16,000 (2020: £16,000) for an accountant's report to the Solicitors Regulation Authority. No other services were provided by the auditors.

5. Staff costs

The aggregate employment costs of staff (excluding members) were:

	2021 £m	2020 £m
Salaries and benefits	1,258	1,197
Social security costs	116	111
Other pension costs	60	57
Net past service credit (note 20)	(23)	–
	<u>1,411</u>	<u>1,365</u>

Salaries and benefits include people costs incurred from other EY network entities to support the group in its operations.

Notes to the financial statements

at 2 July 2021

5. Staff costs (continued)

The average number of full-time equivalent staff (excluding members) during the period was:

	2021 No.	2020 No.
Client service staff	12,892	12,322
Support staff	2,974	3,146
	<u>15,866</u>	<u>15,468</u>

6. Finance costs

	2021 £m	2020 £m
Net interest on retirement benefit liabilities (note 20)	2	2
Interest on annuity obligations (note 19)	—	1
Interest on members' capital	3	3
Interest payable on bank loans and overdraft	1	3
Interest on lease liabilities (note 17)	9	9
	<u>15</u>	<u>18</u>

7. Members' shares of profits

The average number of members during the period was:

	2021 No.	2020 No.
Average number of members	712	718

The profits distributable to partners are determined in accordance with policies which differ from IFRS. The principal differences relate to retirement benefit liabilities, lease accounting and goodwill.

Based on these financial statements, the profit share attributable to the member with the largest entitlement to profits, who is a member of the Global Executive, was £4.1m (2020: estimated profit share was £3.5m, actual profit share was £3.6m). The Chairman of the UK Board was entitled to profits of £2.9m (remuneration relating to the previous Chairman for 2020: £2.9m).

The share of profits to be allocated to key management was £17.9m (2020: estimated profit share £15.7m, actual profit share £16.3m). Their capital at 2 July 2021 was £5.3m (2020: £6.0m) and amounts due from them were £0.7m (2020: £1m). Key management of the firm and the LLP consists of the Board and UK members who serve on the Europe Operating Executive.

Notes to the financial statements

at 2 July 2021

8. Intangible assets and goodwill

<i>2 July 2021</i>	<i>Intangible assets £m</i>	<i>Goodwill £m</i>	<i>Total £m</i>
Cost:			
At 3 July 2020	8	32	40
Acquisition of subsidiaries (note 11)	18	22	40
Disposals	–	(1)	(1)
At 2 July 2021	26	53	79
Amortisation:			
At 3 June 2020	4	1	5
Amortisation	2	–	2
Disposals	–	(1)	(1)
At 2 July 2021	6	–	6
Net book value: At 2 July 2021	20	53	73

<i>3 July 2020</i>	<i>Intangible assets £m</i>	<i>Goodwill £m</i>	<i>Total £m</i>
Cost:			
At 28 June 2019	4	18	22
Acquisition of subsidiaries (note 11)	4	14	18
At 3 July 2020	8	32	40
Amortisation:			
At 28 June 2019	3	–	3
Amortisation	1	–	1
Impairment	–	1	1
At 3 July 2020	4	1	5
Net book value: At 3 July 2020	4	31	35

Goodwill and intangible assets relate to the firm's accounting for business combinations. The businesses are either maintained as subsidiaries, or the trade and assets are transferred, post-acquisition, to another subsidiary of the firm. The subsidiaries represent the CGUs for which goodwill is assessed for impairment. The recoverable amounts are determined based upon the value in use, using Board approved cash flow projections for the next five years with a nil growth rate thereafter (2020: nil) and a discount rate of 5% (2020: 5%).

A reasonable change in the key assumptions used in assessing the goodwill for impairment would not result in a material impairment of the goodwill.

Notes to the financial statements

at 2 July 2021

9. Plant and equipment

<i>2 July 2021</i>	<i>Short leasehold improvements £m</i>	<i>Computer equipment £m</i>	<i>Furniture and other equipment £m</i>	<i>Motor vehicles £m</i>	<i>Total £m</i>
Cost:					
At 3 July 2020	151	67	20	31	269
Additions	7	9	2	11	29
Disposals	(3)	(1)	(1)	(11)	(16)
At 2 July 2021	155	75	21	31	282
Depreciation:					
At 3 July 2020	69	53	11	14	147
Charge for the period	15	9	2	7	33
Disposals	–	–	–	(6)	(6)
At 2 July 2021	84	62	13	15	174
Net book value:					
At 2 July 2021	71	13	8	16	108

Contracted capital expenditure that has not been provided in the financial statements amounted to £1m (2020: £3m).

<i>3 July 2020</i>	<i>Short leasehold improvements £m</i>	<i>Computer equipment £m</i>	<i>Furniture and other equipment £m</i>	<i>Motor vehicles £m</i>	<i>Total £m</i>
Cost:					
At 28 June 2019	134	61	20	31	246
Additions	17	6	2	10	35
Disposals	–	–	(2)	(10)	(12)
At 3 July 2020	151	67	20	31	269
Depreciation:					
At 28 June 2019	56	45	9	12	122
Charge for the period	13	8	2	7	30
Disposals	–	–	–	(5)	(5)
At 3 July 2020	69	53	11	14	147
Net book value:					
At 3 July 2020	82	14	9	17	122

All plant and equipment is held by the LLP.

Notes to the financial statements

at 2 July 2021

10. Right-of-use assets

<i>Properties</i>	<i>2021</i>	<i>2020</i>
	<i>£m</i>	<i>£m</i>
Cost:		
At the beginning of the period	405	367
Additions	–	6
Acquisitions of subsidiaries	5	–
Remeasurements	(10)	32
Modifications	(3)	–
At the end of the period	397	405
Depreciation and impairment:		
At the beginning of the period	38	–
Depreciation charge for the period	38	37
Impairment	–	1
At the end of the period	76	38
Net book value	321	367

All right-of-use assets are held by the LLP apart from £6m (2020: £1m) held by subsidiaries. Remeasurements in the current period principally relate to the reassessment of lease extension and termination options. In the previous period, remeasurements principally related to the agreement of revised lease payments.

11. Business combinations

2021

On 30 April 2021, Ernst & Young Services Limited, a 100% subsidiary, acquired the entire share capital of Frank Hirth (UK) Limited for consideration of £15m. The entity provides personal taxation services.

On 7 May 2021, EY Professional Services Limited, a 100% subsidiary, acquired the entire share capital of Pythagoras Communications Holdings Limited and its subsidiaries (together “Pythagoras group”) for consideration of £31m. The Pythagoras group provides Microsoft consulting services.

The fair value of identifiable assets and liabilities of these acquisitions as at the date of acquisition were:

	<i>Frank Hirth</i>	<i>Pythagoras</i>	
	<i>(UK) Limited</i>	<i>group</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Intangible assets (note 8)	9	9	18
Trade and other receivables	6	2	8
Right-of-use assets	5	–	5
Cash and cash equivalents	–	7	7
Lease liabilities	(5)	–	(5)
Trade and other payables	(2)	(3)	(5)
Deferred tax liabilities	(2)	(2)	(4)
Total identifiable net assets acquired at fair value	11	13	24
Goodwill on acquisition (note 8)	4	18	22
Purchase consideration	15	31	46

Notes to the financial statements

at 2 July 2021

11. Business combinations (continued)

	Frank Hirth (UK) Limited £m	Pythagoras Group £m	Total £m
Cash	11	30	41
Contingent consideration	4	1	5
Purchase consideration	15	31	46

Contingent consideration relates to additional cash that will be paid if certain operational targets are met. Depending on whether those targets are met, the contingent consideration could vary from £nil to £5m.

Analysis of cash flows on acquisition:

Cash paid	11	30	41
Net cash acquired with subsidiary	–	(7)	(7)
Net cash outflow	11	23	34

Fee income and losses generated by the acquirees from the date of acquisition to 2 July 2021 amount to £8m and £3m respectively. The firm's fee income and profits would have been higher by up to £25m and £2m respectively, if the acquisitions occurred on 3 July 2020.

The goodwill of £22m comprises the expected synergies arising from the acquisitions together with the value of the assembled workforce which cannot be recognised as a separate asset under IFRS. Due to the proximity of the acquisitions to the balance sheet date the initial accounting is incomplete and so provisional amounts have been included above for goodwill and intangible assets.

2020

On 29 November 2019, Ernst & Young Services Limited, a 100% subsidiary, acquired the entire share capital of EY Professional Services Limited (previously AgilityWorks Limited) and its subsidiaries for consideration of £23m. The entity provides IT consulting services.

On 18 February 2020, Ernst & Young Services Limited also acquired the entire share capital of EY Incentives Limited (previously Breakthrough Funding Limited), which provides tax consultancy services, for consideration of £2m.

The fair value of identifiable assets and liabilities of these acquisitions as at the date of acquisition were:

	£m
Intangible assets (note 8)	4
Trade and other receivables	9
Cash and cash equivalents	5
Trade and other payables	(6)
Deferred tax liabilities	(1)
Total identifiable net assets acquired at fair value	11
Goodwill on acquisition (note 8)	14
Purchase consideration	25
Cash	20
Contingent consideration	5
Purchase consideration	25

Notes to the financial statements

at 2 July 2021

11. Business combinations (continued)

Contingent consideration relates to additional cash that will be paid if certain operational targets are met. Depending on whether those targets are met, the contingent consideration could vary from £nil to £5m. There has been no amendment to the value of the contingent consideration. There is therefore no impact on profit in the current period. Of the £5m, £2m has been paid during the current period.

	£m
Analysis of cash flows on acquisition:	
Cash paid	20
Net cash acquired with subsidiary	(5)
Net cash outflow	15

Fee income and profits generated by the acquirees from the date of acquisition to 3 July 2020 amount to £11m and £nil respectively. The firm's fee income and profits would have been higher by £11m and £1m respectively, if the acquisitions occurred on 29 June 2019.

The goodwill of £14m comprises the expected synergies arising from the acquisitions together with the value of the assembled workforce which cannot be recognised as a separate asset under IFRS.

12. Investments

	2021 £m	2020 £m
<i>Equity investments</i>		
Investment in EY Global Finance Inc	12	13
Investment in EMEIA Fusion LP	2	6
Corporate bond fund	19	13
Total equity investments	33	32

EY Global Finance Inc is a US (Delaware) corporation owned by Member Firms of the EY global network. The corporation takes deposits and lends money to the Member Firms of the EY global network.

EMEIA Fusion LP is a UK Limited Partnership ultimately owned by various Member Firms within the EMEIA region. Its purpose is to invest, either via its subsidiaries or directly, in assets and businesses with international reach on behalf of those Member Firms.

During the period, the firm recognised fair value losses through other comprehensive income relating to the investment in EMEIA Fusion LP of £4m (2020: £4m) and in EY Global Finance Inc of £1m (2020: £nil).

The corporate bond fund relates to an externally managed fund of bonds issued by UK and overseas companies and governments.

Notes to the financial statements

at 2 July 2021

13. Trade and other receivables

	2021 £m	2020 £m
Unbilled receivables	228	199
Client receivables	429	421
Amounts due from EY network entities	49	136
Other receivables	21	40
Income tax receivable	4	2
	<u>731</u>	<u>798</u>

Client receivables are shown net of an allowance for expected credit losses, movements on which are as follows:

	2021 £m	2020 £m
At beginning of period	16	12
New and additional provisions	9	10
Recoveries	(8)	(3)
Write-offs	(3)	(3)
At end of period	<u>14</u>	<u>16</u>

14. Members' interests

Profits to be divided represent amounts expected to be allocated to members after the balance sheet date. The amount of members' other interests representing the deficit on the defined benefit pension scheme and retirement healthcare schemes, lease accounting differences and notional amortisation of goodwill, is included within other reserves.

The firm's objective when managing capital is to safeguard its ability to continue as a going concern so as to provide returns to members and benefits for other stakeholders. Long-term financing is provided by way of capital introduced by members, which broadly finances the firm's investment in plant and equipment and core working capital. The amount of capital each member is required to subscribe is linked to his or her profit allocation and the firm's financing requirements. Adjustments to the capital and financing structure may be made in the light of changes in circumstances and economic conditions. Payments of profits to members are made only when the Board is satisfied that the firm's financing requirements will permit such payments.

Capital, which is monitored on the basis of total members' interests excluding other reserves, increased to £638m from £588m.

15. Trade and other payables

	2021 £m	2020 £m
Trade and other payables	235	182
Social security and other taxes	93	180
Amounts due to EY network entities	45	56
Annuity obligations (note 19)	3	4
Income tax payable	1	–
Deferred tax	4	1
	<u>381</u>	<u>423</u>

Notes to the financial statements

at 2 July 2021

16. Interest-bearing loans and borrowings

	2021 £m	2020 £m
Bank loan	50	–

The loan relates to a £50m one year fixed term loan. The carrying value of the loan approximates its fair value. The loan incurs interest at Libor + 1% and has been repaid in full in August 2021.

17. Leases

The firm has entered into non-cancellable commercial property leases with remaining terms of up to 19 years. They include clauses to allow upward revision of the rental charge periodically according to prevailing market rates. Several lease contracts include extension and termination options.

The carrying amounts of lease liabilities and the movements during the period were as follows:

	2021 £m	2020 £m
At the beginning of the period	409	410
Additions	2	7
Acquisition of subsidiaries	5	–
Remeasurements	(10)	32
Modifications	(3)	–
Accretion of interest	9	9
Payments	(48)	(49)
At the end of the period	364	409
Current	43	44
Non-current	321	365
	364	409

All lease liabilities are held by the LLP apart from £9m (2020: £3m) held by subsidiaries.

The maturity analysis of lease liabilities is disclosed in note 21. The related right-of-use assets are disclosed in note 10.

The following amounts have been recognised in profit or loss:

	2021 £m	2020 £m
Depreciation expense on right-of-use assets (note 10)	38	37
Impairment of right-of-use assets (note 10)	–	1
Interest expense on lease liabilities (note 6)	9	9
Low value lease expense	2	3
Income from subleasing right of use assets	–	(1)
Total amount recognised in profit and loss	49	49

The firm had total cash outflows for leases of £50m (2020: £53m) during the period.

Notes to the financial statements

at 2 July 2021

18. Provisions and contingencies

	<i>2 July 2021 £m</i>	<i>New/ increase £m</i>	<i>Release £m</i>	<i>Paid £m</i>	<i>3 July 2020 £m</i>
Properties	12	1	–	–	11
Claims	69	49	–	(7)	27
	<u>81</u>	<u>50</u>	<u>–</u>	<u>(7)</u>	<u>38</u>

Provisions are analysed as follows:

	<i>2021 £m</i>	<i>2020 £m</i>
Current	11	–
Non-current	70	38
	<u>81</u>	<u>38</u>

Property provisions represent the estimated cost of dilapidations. These provisions are generally expected to be utilised within ten years, although an element is for costs which extend beyond this period.

In the normal course of business, the firm may receive claims for alleged negligence or be subject to regulatory proceedings. The firm carries professional indemnity insurance which is written through a captive insurance company and a proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action can take longer. Contingent liabilities arise where it is possible that payments will result from a claim in respect of an obligation arising from a past event. Where it is considered probable that payments will arise from claims, a provision is made for the estimated cash outflow. If it is not possible to reliably estimate the financial effect of a claim, it is disclosed as a contingent liability. For further details, refer to the accounting policy in note 2.

Notes to the financial statements

at 2 July 2021

19. Annuity obligations

	2021 £m	2020 £m
At beginning of period	36	40
Experience variation	(2)	–
Discounting	–	1
Paid	(4)	(5)
At end of period	<u>30</u>	<u>36</u>

The provision for annuity obligations is expected to be utilised as follows:

	2021 £m	2020 £m
Current (note 15)	3	4
Non-current	27	32
	<u>30</u>	<u>36</u>

The annuity obligation provision represents the present value of the estimated annuity payments to certain members and former members. The estimate is based on an actuarial valuation as at 2 July 2021. The main assumptions used were inflation rates of 3.2% (2020: 2.9%), discount rates of 0.85% (2020: 0.35%) and post-retirement mortality for current pensioners aged 85 of 7 years (2020: 7 years).

20. Retirement benefit liabilities

Summary of pension arrangements

The firm operates the Ernst & Young Retirement Benefits Plan (EYRBP). The EYRBP has a defined benefit section funded by the payment of contributions to a separately administered trust fund, and four defined contribution sections.

The defined benefit section or final salary section of the EYRBP (“FSS”) was closed to new members in 1997 and to future accrual in 2003. The benefits are based on members’ salary and length of service on retirement or, if earlier, on ceasing to accrue benefits in the plan.

The defined contribution sections or money purchase sections of the EYRBP (“MPS”) have a defined benefit minimum guarantee, the Reference Scheme Test underpin, providing certain members with a minimum level of benefits. These sections closed to future accrual on 31 March 2016. Where a member’s benefits are provided in accordance with the underpin, their MPS funds are transferred to the FSS which provides the member with their benefits. The estimated value of the firm’s obligation over and above the value of the members’ own funds is included within the defined benefit obligations. At the end of the period, the members’ own funds were £412m (2020: £368m).

E & Y Trustees Limited is the corporate trustee for the EYRBP. The Board of the Trustee company consists of eight members, of which four are nominated by the firm and four by the plan members. It has overall responsibility for administration of the pension arrangements, investment of the plan’s assets and communication of the plan’s benefits. Actions of the Trustee Board are governed by current legislation on the operation of occupational pension arrangements, and by the Trust Deed and Rules.

In addition, the firm operates a separate defined contribution pension scheme to which all current and new employees are offered membership.

Notes to the financial statements

at 2 July 2021

20. Retirement benefit liabilities (continued)

Pension Increase Exchange (PIE) exercise

On 21 May 2021, a subset of current pensioner members of the FSS were given the option of exchanging fixed long-term pension in payment increases for a one-off uplift to their current pension. The terms of the option were such that they led to a reduction in liability in respect of members that exercised the option.

Members are not obligated to accept the offer, and so the impact to the liability will be dependent on the level of member take-up, i.e. the proportion of members that accept the offer. The firm has recognised a net past service credit of £23m (note 5), which represents a past service credit of £24m relating to the expected impact of the PIE exercise net of a £1m past service charge relating to GMP equalisation. This has been calculated using an expected take up rate of 30%, which is based on actual experience from similar exercises.

Period end valuation

The deficit in the EYRBP pension scheme and the present value of the liability for a closed post-retirement healthcare scheme included in the financial statements are as follows.

	2021 £m	2020 £m
Equities	180	270
Fixed interest stock	850	559
Liability driven investments*	278	375
Hedge funds	75	131
Cash	51	81
Total fair value of assets	1,434	1,416
Present value of scheme liabilities (FSS)	(1,512)	(1,599)
Present value of scheme liabilities (MPS)	(180)	(209)
Post-retirement healthcare liability	(9)	(9)
Retirement benefit liabilities	(267)	(401)

* The plan's liability driven investment (LDI) holdings aim to reduce the plan's exposure to movements in interest rates and inflation expectations. The primary instruments which are used within these portfolios to achieve the required matching characteristics include fixed interest gilts, index-linked gilts, and repurchase agreements, and potentially interest rate swaps, inflation swaps and total return swaps.

Scheme assets are held as units in collective investment schemes and are stated at fair value which is determined by reference to observable unit prices.

Notes to the financial statements

at 2 July 2021

20. Retirement benefit liabilities (continued)

Asset allocation strategy

The assets of the EYRBP are managed by the Trustees, E & Y Trustees Limited, however, they have delegated some control to a fiduciary manager.

Scheme assets in the FSS are invested in different classes of investments, including alternative investments, in order to benefit from the effect of diversification, whilst at the same time providing appropriate risk-return features.

Taking advice from the fiduciary manager, the Trustees have agreed an investment strategy for the FSS, whereby assets are moved from growth type investments to matching type investments as the funding level of the plan improves. The fiduciary manager is responsible for selecting the underlying investment managers in various sub asset classes, monitoring performance of the managers and replacing the managers if deemed appropriate.

Principal actuarial assumptions at the balance sheet date

The main assumptions made in arriving at retirement benefit liabilities were:

	2021 %	2020 %
Discount rate	1.90	1.60
Pension scheme: inflation rate – Retail Prices Index (RPI)	3.10	2.80
Pension scheme: inflation rate – Consumer Prices Index (CPI)	2.70	2.05
Post-retirement mortality:	Years	Years
Current pensioners at 65 – male	23	23
Current pensioners at 65 – female	24	24
Future pensioners at 65 – male	23	23
Future pensioners at 65 – female	25	25

Discount rate

The discount rate has been derived using the yields on AA rated sterling corporate bonds at the balance sheet date, which reflect the currency and maturity profile of the expected benefit payments in the FSS which at year end had an average duration of 17 - 18 years (2020: 17 - 18 years).

Inflation

RPI inflation is derived by reference to the difference between fixed-interest and index-linked long-term government bonds. To account for the premium that investors are willing to pay to mitigate the risk that inflation is higher than expected, the inflation assumption incorporates an inflation risk premium. CPI inflation is set by reference to RPI.

On 25 November 2020, the Government and UK Statistics Authority's joint consultation response on RPI reform was published. This confirmed their intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) with effect from 2030. The firm has therefore assumed that CPI will be in line with RPI from 2030 onwards, resulting in the weighted average CPI assumption being 0.4% lower than the RPI assumption (2020: 0.75%).

Notes to the financial statements

at 2 July 2021

20. Retirement benefit liabilities (continued)

Principal actuarial assumptions at the balance sheet date (continued)

Mortality

The post-retirement mortality assumptions are based on a bespoke set of base tables ("VitaCurves") which reflect the characteristics of the EYRBP's membership using data collated by Club Vita. Future improvements in longevity are projected in line with the CMI 2020 model (2020: CMI 2019), subject to a long-term improvement rate of 1.25% (2020: 1.25%) per annum for males and 1.00% (2020: 1.00%) per annum for females. The core version of the model has been used which gives no weight to 2020 mortality experience due to the current uncertainty around the impact of COVID-19 on future life expectancies.

The 'current' amounts above are the assumed longevity of pensioners who are aged 65 at the period end and the 'future' amounts are the assumed longevity of employees at age 65 who are aged 45 at the period end.

Changes in the present value of the defined benefit obligations:

	2021 £m	2020 £m
At beginning of period	1,817	1,491
Benefits paid	(43)	(56)
Remeasurement (gain)/loss – effect of changes in financial assumptions	(69)	295
Remeasurement loss/(gain) – effect of changes in demographic assumptions	1	30
Remeasurement (gain)/loss – experience adjustments	(7)	24
Interest cost	25	33
Net past service credit	(23)	–
At end of period	1,701	1,817

Changes in the fair value of plan assets:

	2021 £m	2020 £m
At beginning of period	1,416	1,280
Interest income on plan assets	23	31
Contributions by employer	37	37
Benefits paid	(43)	(56)
Remeasurement gain – actual asset return in excess of interest income	2	125
Plan administrative expenses	(1)	(1)
At end of period	1,434	1,416

The scheme exposes the firm to actuarial risks such as longevity risk and investment risk which includes an element of currency and interest rate risk.

Sensitivity analysis

The following table shows the amount by which the present value of the FSS and MPS defined benefit obligations would increase as a result of the following changes to the individual principal actuarial assumptions:

	2021			2020		
£m	FSS	MPS	Total	FSS	MPS	Total
0.25% decrease to discount rate	65	30	95	69	34	103
0.25% increase to inflation	21	22	43	23	28	51
One year increase to life expectancy	70	13	83	77	16	93

Notes to the financial statements

at 2 July 2021

20. Retirement benefit liabilities (continued)

Contributions to the scheme

In accordance with current legislation on the operation of occupational pension arrangements, the firm and the Trustees of the pension fund agreed a schedule of contributions to clear the pension scheme deficit, including that expected from the FSS funding the MPS underpin, following the most recent full triennial actuarial valuation as at 1 October 2019. This sets out that contributions of £37m (including administrative expenses of £1-2m) are to be paid into the FSS each July until 2029.

21. Financial instruments

In addition to lease liabilities, the firm has the following financial instruments:

<i>2 July 2021</i>	<i>Amortised cost</i>	<i>Fair value through other comprehensive income</i>	<i>Fair value through profit and loss</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Financial assets			
Investments	–	14	19
Trade and other receivables	727	–	–
Amounts due from members	54	–	–
Cash and cash equivalents	385	–	–
Financial liabilities			
Trade and other payables	276	–	7
Payments on account	121	–	–
Interest-bearing loans and borrowings	50	–	–
Provisions	12	–	–
Members' capital	173	–	–
 <i>3 July 2020</i>	 <i>Amortised cost</i>	 <i>Fair value through other comprehensive income</i>	 <i>Fair value through profit and loss</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Financial assets			
Investments	–	19	13
Trade and other receivables	796	–	–
Amounts due from members	58	–	–
Cash and cash equivalents	185	–	–
Financial liabilities			
Trade and other payables	237	–	5
Payments on account	87	–	–
Provisions	11	–	–
Members' capital	174	–	–

The firm's treasury operations are managed within formally defined policies which are regularly reviewed. Financial instruments are not used for speculative activity and complex financial instruments are avoided.

Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks. Information about how these risks arise and are managed is set out below. In addition, the financial assets designated at fair value through other comprehensive income give rise to a small amount of equity price risk.

Notes to the financial statements

at 2 July 2021

21. Financial instruments (continued)

Liquidity risk

Liquidity risk arises from the firm's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables and lease liabilities as well as members' capital.

The firm's financing requirements vary during the period, primarily as a result of the incidence of major payments such as contributions to the defined benefit pension schemes, professional indemnity insurance premiums and payments to and on behalf of members.

It is the firm's policy to have in place short-term borrowing facilities that exceed forecast borrowing requirements for the following twelve months. Undrawn borrowing facilities available at 2 July 2021 were bank overdraft facilities totalling £75m (2020: £77m) and revolving credit facilities totalling £355m (2020: £200m). Of the revolving credit facility, £60m has expired subsequent to the period end and a further £95m expires within twelve months of the period end. The remaining revolving credit facilities of £200m expire within two to five years. The firm's bank loan of £50m expired in August 2021 and has been repaid and the overdraft facilities have been reduced by £5m. The £60m expired revolving credit facility and £50m bank loan are expected to be replaced by a £120m Environmental, Social and Governance facility with a term of two years with a one year extension. These arrangements are considered adequate to finance variations in forecast working capital.

Members' capital is repayable when membership ceases, for which members are required to give twelve months' notice, and is classed as falling due between one and two years, being the earliest possible date on which it would have to be repaid if all members had given notice at the period end date of their intention to terminate their membership. In practice, however, most of this balance is viewed as being longer-term in nature and in most situations capital introduced by new members is expected to replace that of retiring members. The contractual payments arising from trade and other payables are equal to their carrying amount and are due within one year.

Lease liabilities, on an undiscounted basis, are repayable £44m (2020: £45m) within one year, £85m (2020: £86m) between one and two years, £76m (2020: £79m) between three and five years and £219m (2020: £270m) over five years.

Cleared funds held at banks are monitored daily and surplus funds are placed on short-term deposit or invested on the money market. It is the firm's policy to invest surplus funds for periods of up to nine months.

A charge in favour of EY Securities Limited, in its capacity as trustee for current and future recipients of member retirement annuities payable by the firm, has been created over the corporate bond fund £19m (2020: £23m over the corporate bond fund and cash held at banks). Receipts from these assets are designed to match, so far as possible, payments of certain annuity obligations (note 19).

A letter of credit for £25m (2020: £18m) has been provided to E & Y Trustees Limited by a relationship bank.

Credit risk

Credit risk arises primarily from client debtors and unbilled receivables, other financial assets including cash and cash equivalents, amounts due from members and other receivables and, indirectly, from the corporate bond fund.

The firm has established procedures to minimise the risk of default by trade debtors, including detailed checks on credit standing within client acceptance and continuance procedures. Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable on presentation. The majority of the client debtors balance represents invoices issued less than three months before the period end, with £4m (2020: £31m) aged between three and six months and £10m (2020: £3m) aged in excess of six months.

Cash deposits are placed only with the firm's relationship banks or EY Global Finance Inc. No more than £50m (2020: £50m) may be deposited with any one bank. The externally managed corporate bond fund invests in bonds issued by UK and overseas companies and governments, with at least 85% invested in bonds with an investment grade credit rating but may also invest up to 5% in sub investment grade bonds. As at 2 July 2021, over 98% of the investments are held in bonds that have a Standard and Poor's investment grade credit rating (2020: 97%). Amounts due from members are expected to be recovered from the current period's profit allocations.

Notes to the financial statements

at 2 July 2021

21. Financial instruments (continued)

Interest rate risk

Interest rate risk arises primarily from members' capital, cash and cash equivalents, lease liabilities and, indirectly, from the corporate bond fund. Interest on members' capital is paid at floating market rates. Interest on cash and deposits is effectively earned at a floating rate because of their short-term placement. Interest expense on lease liabilities is effectively incurred at fixed rates.

Foreign currency risk

Although most of the firm's income and expenses are denominated in sterling, foreign currency risk arises from transactions denominated in other currencies, particularly the US dollar and Euro. Derivatives, such as forward contracts to purchase US dollars, are sometimes used to hedge major commitments such as professional indemnity premiums. Balances in foreign currency bank accounts are held to facilitate cash management and, from time to time, to provide a hedge of future foreign currency expenditure.

22. Related parties

EY Europe LLP has power over the firm, although its exposure to variable returns is not considered sufficient to meet the definition of control and therefore the firm has no controlling party.

During the period, EY Europe LLP charged the firm a management fee of £10k (2020: £10k) which remained payable at the period end.

Details of key management compensation and transactions with the pension scheme are disclosed in notes 7 and 20 respectively.

The following subsidiaries of the LLP are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of a parental guarantee in accordance with s479A:

<i>Subsidiary undertaking</i>	<i>Registered number</i>
Foviance Group Limited	04331949
Rolls House Holdings Limited	01985589
Ernst & Young Limited	05458987
Ernst & Young Services (UK) Limited	05319775
EY Incentives Limited	09369059
Pythagoras Holdings Limited	13184504
Pythagoras Communications Limited	03000842

23. Post balance sheet events

Ernst & Young LLP, through its subsidiary EY Professional Services Limited, acquired 100% of Lane 4 Management Group Holdings Limited and its subsidiaries on 16 July 2021 for consideration of £10m. Lane 4 Management Group Holdings Limited provides people consulting services.

Ernst & Young LLP, through its subsidiary EY Professional Services Limited, acquired 100% of Seaton Partners Limited and its subsidiary on 13 August 2021 for consideration of £3m. Seaton Partners Limited provides Microsoft consulting services.

As the initial accounting for the business combinations was incomplete at the time these financial statements were authorised for issue, disclosures of the fair values of the assets and liabilities acquired cannot be made. In the twelve month period to 2 July 2021, revenue of the acquired entities was approximately £17m and average staff number was 182.

LLP income statement

for the period ended 2 July 2021

Registered number OC300001

		2021 (52 weeks) £m	2020 (53 weeks) £m
	Notes		
Fee income	24	2,689	2,522
Expenses billed to clients		(370)	(375)
Net revenue		2,319	2,147
Other operating income		284	325
Operating expenses	25	(2,060)	(2,010)
Operating profit		543	462
Dividend income from subsidiaries		57	50
Finance revenue		1	1
Finance costs	26	(15)	(19)
Profit for the financial period		586	494

LLP statement of comprehensive income

for the period ended 2 July 2021

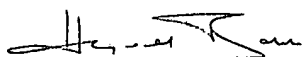
		2021 (52 weeks) £m	2020 (53 weeks) £m
	Note		
Profit for the financial period		586	494
<i>Items that will not be reclassified to profit or loss:</i>			
Net remeasurement gains/(losses) on retirement benefit liabilities	20	77	(224)
Fair value losses on equity investments		(5)	(4)
Total comprehensive income for the financial period		658	266

LLP balance sheet

at 2 July 2021

Registered number OC300001

	Notes	2 July 2021 £m	3 July 2020 £m
Assets			
Non-current assets			
Plant and equipment	9	108	122
Right-of-use assets	30	315	366
Investments	12	33	32
Investments in subsidiaries	27	25	25
		<u>481</u>	<u>545</u>
Current assets			
Trade and other receivables	28	696	766
Amounts due from members		54	58
Prepayments		6	32
Cash and cash equivalents		357	170
		<u>1,113</u>	<u>1,026</u>
Total assets		<u>1,594</u>	<u>1,571</u>
Equity and liabilities			
Current liabilities			
Trade and other payables	29	351	443
Payments on account		118	86
Interest-bearing loans and borrowings	16	50	–
Lease liabilities	30	40	43
Provisions	18	11	–
Members' capital		3	6
		<u>573</u>	<u>578</u>
Non-current liabilities			
Lease liabilities	30	315	362
Provisions	18	70	38
Annuity obligations	19	27	32
Retirement benefit liabilities	20	267	401
		<u>679</u>	<u>833</u>
Members' capital		170	168
Total liabilities		<u>1,422</u>	<u>1,579</u>
Equity: Members' other interests		172	(8)
Total equity and liabilities		<u>1,594</u>	<u>1,571</u>



Hywel Ball
Designated Member
Date: 22 October 2021



Lynn Rattigan
Designated Member
Date: 22 October 2021

LLP statement of cash flows

for the period ended 2 July 2021

Registered number OC300001

	<i>Notes</i>	<i>2021 £m</i>	<i>2020 £m</i>
Profit before taxation		586	494
Adjustment for:			
Net finance costs		14	18
Dividend income from subsidiaries		(57)	(50)
Depreciation and impairment		70	68
(Profit)/loss on disposal of plant and equipment		(2)	1
Retirement benefit contributions net of plan administration expenses	20	(36)	(36)
Net past service credit on retirement benefit obligations	20	(23)	–
Loss on corporate bonds funds		2	–
Decrease in trade and other receivables		96	78
(Decrease)/increase in trade and other payables		(2)	80
Increase in provisions and annuity obligations		37	4
Net cash inflows from operating activities		685	657
Purchase of plant and equipment		(27)	(35)
Proceeds from sale of plant and equipment		11	6
Proceeds from sale of corporate bonds		–	3
Net (acquisition)/disposal of investments		(8)	1
Interest received		1	–
Net cash outflows from investing activities		(23)	(25)
Payments to and on behalf of members		(477)	(465)
Interest paid on subsidiary loans		–	(1)
Members' capital introduced		17	20
Repayment of capital to retiring members		(18)	(12)
Proceeds from loan	16	50	–
Payment of lease liabilities including interest	30	(46)	(48)
Other interest paid		(1)	(3)
Net cash outflows from financing activities		(475)	(509)
Net increase in cash and cash equivalents		187	123
Cash and cash equivalents at beginning of period		170	47
Cash and cash equivalents at end of period		357	170

LLP statement of changes in members' interests

at 2 July 2021

	<i>Members' other interests</i>				<i>Amounts due</i>		<i>Total</i>
	<i>Profits to be divided</i>	<i>Other reserve</i>	<i>Fair value reserves</i>	<i>Total equity</i>	<i>Members' capital</i>	<i>to/(from) members</i>	<i>members' interests</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 28 June 2019	401	(219)	10	192	166	(62)	296
Total comprehensive income	494	(224)	(4)	266	–	3	269
Transfers between reserves	(36)	36	–	–	–	–	–
Profit allocations	(466)	–	–	(466)	–	466	–
Payments to and on behalf of members	–	–	–	–	–	(465)	(465)
Capital introduced	–	–	–	–	20	–	20
Capital repaid	–	–	–	–	(12)	–	(12)
At 3 July 2020	393	(407)	6	(8)	174	(58)	108
Total comprehensive income	586	77	(5)	658	–	3	661
Transfers between reserves	(58)	58	–	–	–	–	–
Profit allocations	(478)	–	–	(478)	–	478	–
Payments to and on behalf of members	–	–	–	–	–	(477)	(477)
Capital introduced	–	–	–	–	17	–	17
Capital repaid	–	–	–	–	(18)	–	(18)
At 2 July 2021	443	(272)	1	172	173	(54)	291

Notes to LLP financial statements

at 2 July 2021

24. Fee income

	2021 £m	2020 £m
Assurance services	730	691
Consulting services	616	570
Taxation services	806	783
Strategy and transactions services	537	478
	<u>2,689</u>	<u>2,522</u>

25. Operating expenses

	2021 £m	2020 £m
People costs	1,458	1,418
Other operating charges (including depreciation)	602	592
	<u>2,060</u>	<u>2,010</u>

No staff were directly employed by Ernst & Young LLP during the current or preceding period but the entity manages and controls a number of UK based secondees. The costs of these individuals are recharged to the LLP and included within people costs above.

26. Finance costs

	2021 £m	2020 £m
Net interest on retirement benefit liabilities (note 20)	2	2
Interest on annuity obligations (note 19)	—	1
Interest on loan from subsidiary	—	1
Interest on members' capital	3	3
Interest payable on bank loans and overdraft	1	3
Interest on lease liabilities (note 17)	9	9
	<u>15</u>	<u>19</u>

Notes to LLP financial statements

at 2 July 2021

27. Investment in subsidiaries

	2021	2020
	£m	£m
Cost	25	25

The Limited Liability Partnership has the following subsidiaries:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Ernst & Young Limited	UK	Taxation and resource service provider
Ernst & Young Resources (CI) Limited	Jersey	Staff and resource service provider
Ernst & Young Services Limited *	UK	Staff and resource service provider
Ernst & Young Services (UK) Limited	UK	Staff and resource service provider
Rolls House Holdings Limited	UK	Holding entity of Ernst & Young Services Limited
Foviance Group Limited	UK	Holding entity of EY Seren Limited
EY Seren Limited *	UK	Consultancy service provider
EY Professional Services Limited *	UK	Consultancy service provider
AgilityWorks India Private Limited *	India	Consultancy service provider
EY Frank Hirth Limited *	UK	Personal taxation service provider
Pythagoras Communications Holdings Limited *	UK	Holding entity of Pythagoras Communications Limited
Pythagoras Communications Limited*	UK	Microsoft consultancy service provider
EY Incentives Limited *	UK	Consultancy tax services provider
Parthenon London Tenant Limited	UK	In liquidation
EY Foundation	UK	Charity
Ernst & Whinney Limited	UK	Dormant
E & Y Trustees Limited	UK	Dormant
Ernst & Young International Limited	UK	Dormant
Garrard House Executor Trustees Co Limited *	UK	Dormant
EYGS UK Participation Limited	UK	Dormant
EY Securities Limited *	UK	Dormant
EY Corporate Secretaries Limited	UK	Dormant
Creative Sharepoint Limited *	UK	Dormant
Pointbeyond Limited *	UK	Dormant
New Street Nominees Limited	Guernsey	Dormant
Ernst & Young Property (Jersey) Limited	Jersey	Dormant

* Interest held indirectly.

All subsidiaries are wholly owned, except where noted.

The registered addresses of the subsidiaries are:

UK entities: 1 More London Place, London, SE1 2AF

Jersey entities: Liberation House, Castle Street, St Helier, Jersey, JE1 1EY

Guernsey entity: Royal Chambers, St Julian's Avenue, St Peter Port, Guernsey

Indian entity: 779, Sector-15A, Faridabad, Haryana 121007, India

Notes to LLP financial statements

at 2 July 2021

28. Trade and other receivables

	2021	2020
	£m	£m
Unbilled receivables	222	197
Client receivables	420	409
Amounts owed by subsidiaries	–	3
Amounts due from EY network entities	45	129
Other receivables	9	28
	<u>696</u>	<u>766</u>

Client receivables are shown net of an allowance for expected credit losses, movements on which are analysed in note 13.

Client receivables are non-interest bearing and are generally payable on presentation.

29. Trade and other payables

	2021	2020
	£m	£m
Trade and other payables	189	146
Social security and other taxes	58	145
Amounts due to EY network entities	39	53
Amounts owed to subsidiaries	62	95
Annuity obligations (note 19)	3	4
	<u>351</u>	<u>443</u>

30. Leases

The carrying amounts of right-of-use assets and lease liabilities and the related movements during the period are substantially the same as those disclosed for the LLP and its subsidiaries. Details of the LLP's leasing arrangements, including the maturity analysis of lease liabilities, are also substantially the same. Details can be found in notes 10 and 17.

31. Cash flows from operations

Non-cash movements include the offset of £57m (2020: £50m) of dividends receivable from subsidiaries against amounts owed to subsidiaries.

Notes to LLP financial statements

at 2 July 2021

32. Related parties

Income earned and purchases made from subsidiaries was £nil (2020: £2m) and £1,312m (2020: £1,285m) respectively. Other information about transactions with subsidiaries is shown in notes 26, 28 and 29.

Details of key management compensation, transactions with the pension scheme and with EY Europe LLP are disclosed in notes 7, 20 and 22 respectively.

Included within the amounts owed to subsidiary undertakings is a loan of £34m (2020: £27m) which carried interest at the rate of 1% (2020: 1%) above the Bank of England base rate. All other balances due to or from subsidiaries are non-interest bearing.

33. Financial instruments

Details of the LLP's financial instruments are substantially the same as those disclosed for the LLP and its subsidiaries in notes 14 and 21.