

Ernst & Young LLP

Members' Annual Report and Financial Statements

28 June 2019

Registered No. OC300001
Registered in England and Wales

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Members' report

The members present their report and financial statements for the period ended 28 June 2019.

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 Europe leaders of Accounts, Talent and Risk Management; the Europe service line leaders of Assurance, Advisory, Transaction Advisory Services 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. Steve Varley 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:

Steve Varley

Omar Ali

Ian Baggs

Hywel Ball

Lisa Cameron

Christabel Cowling

(Appointed: 1 September 2018)

Sue Dawe

(Appointed: 1 September 2018)

Alisdair Mann

(Resigned: 1 September 2018)

Eamonn McGrath

(Resigned: 31 December 2018)

Deborah O'Hanlon

Robert Overend

Lynn Rattigan

Board members appointed and/or resigned after the year:

Justine Belton

(Appointed: 1 July 2019)

Robert Overend

(Resigned: 1 July 2019)

The Board is also responsible for appointing the Designated Members. The Designated Members as of 28 June 2019 were Lisa Cameron, Lynn Rattigan and Steve Varley.

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. At 28 June 2019, the firm had three representatives on the Europe Governance Sub-Committee.

The UK Audit Committee consists of four members of the UK firm who do not hold a management role. The Committee is responsible for approving the financial statements and recommending that Designated Members 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

The firm delivered a moderate revenue growth despite a challenging economic environment in the UK. Revenues have increased from £2,412m to £2,447m, an increase of 1%. Net revenue increased by 2% from £2,017m to £2,058m. The current level of economic uncertainty caused by factors such as the Brexit negotiations have impacted the market.

The profit for the financial period decreased from £518m in 2018 to £505m in 2019 and the corresponding average profit per partner decreased from £761,000 to £719,000 in 2019. The distributable profit before tax for the financial period increased from £472m in 2018 to £477m in 2019 and the corresponding average profit per partner decreased from £693,000 to £679,000.


Transaction Advisory Services was the fastest growing service line achieving revenue growth of 9%. Taxation generated growth of 8%, and Advisory and Assurance Services declined by 3% and 5% 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.

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% (2018: 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.


Steve Varley
Managing Partner
Date 7/10/2019

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 Financial Reporting Standards as adopted by the European Union (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 proper 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 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 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 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 12 and 18 to the financial statements. The Designated Members believe that the firm is well placed to manage its business risks successfully, despite the current uncertain economic outlook, and have a reasonable expectation that the firm has 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

Independent auditor's report

to the members of Ernst & Young LLP

Opinion

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 28 June 2019 which comprise the Consolidated and Limited Liability Partnership Income Statements, the Consolidated and Limited Liability Partnership Statements of Comprehensive Income, the Consolidated and Limited Liability Partnership Balance Sheets, Consolidated and Limited Liability Partnership Statements of Cash Flows and Consolidated and Limited Liability Partnership 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 Financial Reporting Standards (IFRSs) as adopted by the European Union

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 28 June 2019 and of the Group's profit and the Limited Liability Partnership's profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group and the Limited Liability Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report

to the members of Ernst & Young LLP

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 directing the 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.

Revenue recognition and valuation of unbilled receivables

Matter

During the financial period the Group adopted IFRS 15 'Revenue from contracts with customers'

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 contract with the customer.

The Group's accounting policy in respect of revenue recognition is described on page 16 in note 2. 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 year-end for each individual engagement.

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

Other related disclosures are presented in notes 3 and 11.

Response

Our audit work included:

Testing the operating effectiveness of relevant internal controls that have been designed to give assurance over the recognition of revenue and the valuation of unbilled receivables.

For engagements open at year end, we used specific characteristics of audit interest to identify outliers in the population and for a sample of client engagements that met any of these characteristics we:

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

Based on our audit work on revenue and unbilled receivables we did not identify any material misstatements.

Independent auditor's report to the members of Ernst & Young LLP

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

Matter

The Group maintains insurance cover in respect of professional indemnity claims and regulatory matters which is principally written through captive insurance companies, involving other EY firms. As described in note 2 on page 18, a 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 probability and the amount of the payment can be reliably estimated. The provision is based on the estimated cost of defending and settling claims and regulatory matters.

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 matters.

Other related disclosures are presented in note 15.

Response

Our audit work included:

- Testing the operating effectiveness of relevant internal controls related to the completeness of the provision for professional liability claims and regulatory matters.
- Inspection of documentation verifying the existence of the Group's insurance cover.
- Corroborative inquiry of the Group's general counsel of claims and action by regulatory bodies including inspection of internal and third party documentation.
- Obtaining and reviewing publically available information to determine whether the information obtained was complete.
- Challenging judgements and estimates 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 year claims provisions against updated or finalised information to assess the accuracy of management's previous estimates.

We consider that the judgements and estimates made by management in determining the provision for claims and regulatory matters are appropriate.

Independent auditor's report to the members of Ernst & Young LLP

Valuation of defined benefit pension liabilities

Matter

As described in note 2 on page 19, 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 post-employment benefits currently result in a significant defined benefit pension scheme deficit.

The valuation of the defined benefit pension scheme liabilities is based on a number of variables requiring significant judgement and complex actuarial assumptions and calculations. The provisions accounted for are sensitive to variation in the underlying assumptions; as a result minor changes in the key assumptions would lead to a material impact on the balance sheet value of the defined benefit pension scheme obligations.

Other related disclosures are presented in note 17.

Response

Our audit work included:

- Consideration of the appropriateness and adequacy of the audit evidence provided by the Group's internal actuaries by:
 - Testing the accuracy of the underlying data used by the Group's internal actuaries by agreeing it to supporting documentation maintained by the Group's Human Resources and Payroll functions.
 - Engaging our own actuarial specialist to independently challenge management's assumptions and to consider the ability of management to exercise bias when setting assumptions.
- Reviewing the disclosures in the financial statements to determine whether they are in line with the requirements of the accounting standards.
- Recalculating the disclosed sensitivities of the key assumptions used by management in determining the amount of the pension liability.

We consider the assumptions made by management in determining the defined benefit pension liabilities fall within acceptable ranges and do not indicate management bias.

Independent auditor's report

to the members of Ernst & Young LLP

Our application of materiality

The concept of materiality applies not only to monetary misstatements but also to other disclosures in the financial statements. We apply the concept of materiality both in planning and performing our audit. 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. 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.

Materiality for the Group financial statements, as a whole, was set at £25m (2018: £32m). This has been determined by applying 5% (2018: 7%) to a benchmark of profit before tax averaged over the last three years, which we consider to be the principal consideration for users of the financial statements in assessing the financial position and performance of the Group. Materiality for the Limited Liability Partnership financial statements was set at £24.9m (2018: £31.7m) and has been calculated on the same basis. The Limited Liability Partnership is the only significant component of the Group.

The basis on which materiality was calculated has decreased from 7% to 5% to bring this associated percentage in line with that commonly applied to "public interest entities" and firms of similar size.

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 for the Group should be set at 75% (2018: 65%) 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. We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £1m (2018: £1m). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

100% of Group revenues and 100% of the Group's net assets were subject to a full scope audit based upon Group materiality.

All components were subject to audit by BDO LLP directly, as the Group auditor.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report

to the members of Ernst & Young LLP

Matters on which we are required to report by exception

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 financial statements are not in agreement with the Limited Liability Partnership's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

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 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 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.

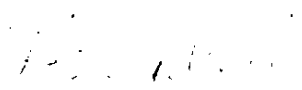
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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 as applied by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. 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

Independent auditor's report
to the members of Ernst & Young LLP

the Limited Liability Partnership's Members as a body, for our audit work, for this report, or for the opinions we have formed.


Diane Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
Date 7 June 2017

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

Consolidated income statement

for the period ended 28 June 2019

| | Notes | 2019 £m | 2018 £m |
|--|-------|------------|------------|
| Fee income | 3 | 2,447 | 2,412 |
| Expenses billed to clients | | (389) | (395) |
| Net revenue | | 2,058 | 2,017 |
| Other operating income | | 285 | 262 |
| Operating expenses | 4 | (1,815) | (1,740) |
| Operating profit | | 528 | 539 |
| Finance revenue | | 1 | 1 |
| Finance costs | 6 | (10) | (9) |
| Profit before taxation | | 519 | 531 |
| Tax expense in corporate subsidiaries | | (14) | (13) |
| Profit for the financial period | | 505 | 518 |

| | | | |
|---|---|------|------|
| Reconciliation to profit distributable to members | | | |
| Profit for the financial period (in accordance with IFRS) (before tax) | | 519 | 531 |
| Adjustments made in determining distributions | 7 | (32) | (55) |
| Fixed allocation of current period profits | | (10) | (4) |
| Profit for the financial period distributable to members (before tax) | | 477 | 472 |
| Tax expense in corporate subsidiaries | | (14) | (13) |
| Profit for the financial period remaining to be divided (after tax) | | 463 | 459 |

Consolidated statement of comprehensive income

for the period ended 28 June 2019

| | Note | 2019 £m | 2018 £m |
|---|------|------------|------------|
| Profit for the financial period | | 505 | 518 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Remeasurement (losses)/gains on retirement benefit liabilities | 17 | (72) | 37 |
| Fair value gains on equity investments | | 10 | - |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Other fair value gains/losses | | (3) | - |
| Total comprehensive income for the financial period | | 440 | 555 |

Consolidated balance sheet

at 28 June 2019

Registered number OC300001

| | Notes | 28 June 2019 £m | 29 June 2018 £m |
|---|-------|-----------------------|-----------------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets and goodwill | 8 | 19 | 20 |
| Plant and equipment | 9 | 124 | 121 |
| Investments | 10 | 36 | 23 |
| | | 179 | 164 |
| Current assets | | | |
| Trade and other receivables | 11 | 859 | 832 |
| Amounts due from members | | 62 | 71 |
| Prepayments | | 26 | 24 |
| Cash and cash equivalents | | 53 | 47 |
| | | 1,000 | 974 |
| Total assets | | 1,179 | 1,138 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 453 | 430 |
| | | 453 | 430 |
| Non-current liabilities | | | |
| Provisions | 15 | 27 | 21 |
| Annuity obligations | 16 | 35 | 38 |
| Retirement benefit liabilities | 17 | 211 | 167 |
| Lease incentive | | 32 | 34 |
| | | 305 | 260 |
| Members' capital | | 166 | 164 |
| Total liabilities | | 924 | 854 |
| Equity: Members' other interests | | 255 | 284 |
| Total equity and liabilities | | 1,179 | 1,138 |



Steve Varley
Designated Member

Date 7/10/2019



Lynn Rattigan
Designated Member

7/10/2019, Date

Consolidated statement of cash flows

for the period ended 28 June 2019

| | <i>Notes</i> | <i>2019 £m</i> | <i>2018 £m</i> |
|--|--------------|--------------------|--------------------|
| Profit before taxation | | 519 | 531 |
| Adjustment for: | | | |
| Net finance costs | | 9 | 8 |
| Depreciation and amortisation | | 31 | 29 |
| Profit on disposal of plant and equipment | | (1) | (1) |
| Retirement benefit contributions net of plan administration expenses | 17 | (35) | (34) |
| Curtailment gain on post-retirement healthcare benefit scheme | 17 | – | (19) |
| Past service cost on retirement benefit obligations | 17 | 5 | – |
| Gains on corporate bonds and corporate bonds funds | | (4) | – |
| (Increase)/decrease in trade and other receivables | | (29) | 5 |
| Increase/(decrease) in trade and other payables | | 24 | (48) |
| Increase/(decrease) in provisions and annuity obligations | | 6 | (6) |
| Cash generated from operations | | 525 | 465 |
| Annuity payments | 16 | (6) | (6) |
| Corporate tax paid by subsidiaries | | (15) | (10) |
| Net cash inflows from operating activities | | 504 | 449 |
| Purchase of plant and equipment | | (38) | (38) |
| Proceeds from sale of plant and equipment | | 6 | 7 |
| Purchase of investments | | (2) | (1) |
| Interest received | | 1 | 1 |
| Net cash outflows from investing activities | | (33) | (31) |
| Payments to and on behalf of members | | (464) | (461) |
| Members' capital introduced | | 19 | 25 |
| Repayment of capital to retiring members | | (17) | (16) |
| Interest paid | | (3) | (2) |
| Net cash outflows from financing activities | | (465) | (454) |
| Net increase/(decrease) in cash and cash equivalents | | 6 | (36) |
| Cash and cash equivalents at beginning of period | | 47 | 83 |
| Cash and cash equivalents at end of period | | 53 | 47 |

Consolidated statement of changes in members' interests

for the period ended 28 June 2019

| | <u>Members' other interests</u> | | | <u>Total equity</u> | <u>Amounts due</u> | | <u>Total members' interests</u> |
|--------------------------------------|---------------------------------|-----------------------|----------------------------|---------------------|-------------------------|--------------------------|---------------------------------|
| | <u>Profits to be divided</u> | <u>Other reserves</u> | <u>Fair value reserves</u> | | <u>Members' capital</u> | <u>to/(from) members</u> | |
| | £m | £m | £m | £m | £m | £m | £m |
| At 30 June 2017 | 450 | (270) | 3 | 183 | 155 | (67) | 271 |
| Total comprehensive income | 518 | 37 | - | 555 | - | 3 | 558 |
| Transfers between reserves | (55) | 55 | - | - | - | - | - |
| Profit allocations | (454) | - | - | (454) | - | 454 | - |
| Payments to and on behalf of members | - | - | - | - | - | (461) | (461) |
| Capital introduced | - | - | - | - | 25 | - | 25 |
| Capital repaid | - | - | - | - | (16) | - | (16) |
| At 29 June 2018 | 459 | (178) | 3 | 284 | 164 | (71) | 377 |
| Total comprehensive income | 505 | (72) | 7 | 440 | - | 4 | 444 |
| Transfers between reserves | (32) | 32 | - | - | - | - | - |
| Profit allocations | (469) | - | - | (469) | - | 469 | - |
| Payments to and on behalf of members | - | - | - | - | - | (464) | (464) |
| Capital introduced | - | - | - | - | 19 | - | 19 |
| Capital repaid | - | - | - | - | (17) | - | (17) |
| At 28 June 2019 | 463 | (218) | 10 | 255 | 166 | (62) | 359 |

Notes to the financial statements

at 28 June 2019

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 28 June 2019 were approved and authorised for issue by the Board on behalf of the members on 7 October 2019.

The principal activity of Ernst & Young LLP is the provision of assurance, advisory, taxation and transaction advisory 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 Financial Reporting Standards (IFRS) as adopted by the European Union.

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 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 period from 30 June 2018 to 28 June 2019 (the comparative period being from 1 July 2017 to 29 June 2018).

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, the most significant being revenue recognition, provisions for claims and retirement benefit obligations. Although estimates are based on the best information available, actual outcomes could differ from the amounts included in the financial statements.

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 28 June 2019. 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.

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.

Notes to the financial statements

at 28 June 2019

2. Accounting policies (continued)

Revenue recognition

Fee income represents revenue earned under a wide variety of contracts with clients to provide professional services. Revenue is recognised when control of services is 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 customer.

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.

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 and/or payments on account which are shown in notes 11 and 13 respectively (notes 25 and 26 for the LLP). Revenue recognised in the current year in respect of performance obligations satisfied, or partially satisfied, in previous years amounted to £24m, 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.

Notes to the financial statements

at 28 June 2019

2. Accounting policies (continued)

Leases

Rentals payable and sublease rentals receivable under operating leases, which do not transfer substantially all the risks and rewards of ownership of the asset, are charged or credited in the income statement on a straight line basis over the lease term. Increases in annual rentals following rent reviews are recognised over the remaining lease term from the time they take effect. The value of lease incentives received is initially recognised as a liability and released so as to reduce the rental expense on a straight line basis over the contracted lease term.

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% (2018: 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 6 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.

The carrying value of plant, equipment and intangible 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.

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.

Notes to the financial statements

at 28 June 2019

2. Accounting policies (continued)

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. Investments in individual corporate bonds are classified at fair value with gains and losses recognised in other comprehensive income and interest income recognised in profit or loss using the effective interest method. 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 takes account of expected rentals receivable under subleases. 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 judgements and estimates

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. A different assessment could result in a change to the amount of provision recognised. 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 15, 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.

Notes to the financial statements

at 28 June 2019

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 estimate and judgement

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 17 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 28 June 2019

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. 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

The firm has applied IFRS 15 *Revenue from contracts with customers* and IFRS 9 *Financial instruments* with effect from 30 June 2018. The changes to the firm's accounting policies are not significant, there were no adjustments to equity on adoption and comparative amounts have not been restated, although certain disclosures have been amended.

Standards that are not yet effective

A number of standards and other pronouncements are in issue that are not yet effective and have not been adopted, many of which are not relevant to the firm. The pronouncement that is expected to be most relevant to the firm is IFRS 16 *Leases* which will change the accounting requirements for substantially all of the firm's leases and will become effective for the period to 3 July 2020. The firm plans to adopt IFRS 16 using the modified approach with no change to the prior reporting period presented. Right-of-use assets will initially be measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments. The firm will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

On adoption of IFRS 16 on 29 June 2019, the firm has recognised a lease liability of £412m and a right-of-use asset of £362m with the difference principally relating to lease incentives. The adoption of IFRS 16 is not expected to have a material impact on profit before taxation for the next financial period, however it is expected that there will be an increase of approximately £9m in finance costs with a similar decrease in operating expenses.

Notes to the financial statements

at 28 June 2019

3. Fee income

| | 2019 £m | 2018 £m |
|-------------------------------|------------|------------|
| Assurance services | 644 | 677 |
| Advisory services | 640 | 663 |
| Taxation services | 725 | 670 |
| Transaction advisory services | 438 | 402 |
| | 2,447 | 2,412 |

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 £1,100m of which £300m is expected to be recognised in more than one year.

4. Operating expenses

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Staff costs (note 5) | 1,230 | 1,163 |
| Other operating charges (including depreciation and amortisation) | 585 | 577 |
| | 1,815 | 1,740 |

Profit is stated after charging/(crediting):

| | 2019 £m | 2018 £m |
|-------------------------|------------|------------|
| Operating lease expense | 42 | 38 |
| Sublease income | (1) | (1) |

Fees payable to the LLP's auditor for the audit of the group and LLP financial statements were £287,000 (2018: £254,000). Fees payable to the LLP's auditor and their associates for the audit of subsidiary financial statements were £39,000 (2018: £40,000) and £6,000 (2018: £3,000) for the audit of grant claims. No other services were provided by the auditors.

Notes to the financial statements

at 28 June 2019

5. Staff costs

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

| | 2019 | 2018 |
|-----------------------------|-------|-------|
| | £m | £m |
| Salaries and benefits | 1,074 | 1,039 |
| Social security costs | 101 | 99 |
| Other pension costs | 50 | 44 |
| Past service cost (note 17) | 5 | – |
| Curtailment gain (note 17) | – | (19) |
| | 1,230 | 1,163 |

The average number of staff (excluding members) during the period was:

| | 2019 | 2018 |
|----------------------|--------|--------|
| | No. | No. |
| Client service staff | 11,579 | 11,472 |
| Support staff | 2,999 | 3,029 |
| | 14,578 | 14,501 |

Notes to the financial statements

at 28 June 2019

6. Finance costs

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Net interest on retirement benefit liabilities (note 17) | 2 | 3 |
| Interest on annuity obligations (note 16) | 1 | 1 |
| Interest on members' capital | 4 | 3 |
| Interest payable on bank loans and overdraft | 3 | 2 |
| | 10 | 9 |

7. Members' shares of profits

The average number of members during the period was:

| | 2019 No. | 2018 No. |
|---------------------------|-------------|-------------|
| Average number of members | 702 | 681 |

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

Based on these financial statements, the estimated profit share attributable to Andy Baldwin, the member with the largest entitlement to profits was £2.9m (2018: estimated profit share was £2.7m, actual profit share £2.9m).

The estimated share of profits to be allocated to key management was £16.8m (2018: estimated profit share £15.9m, actual profit share £17.3m). Their capital at 28 June 2019 was £5.3m (2018: £5.1m), annuity obligations were £0.3m (2018: £0.3m) and amounts due from them were £1m (2018: £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 28 June 2019

8. Intangible assets and goodwill

| | <i>Intangible assets £m</i> | <i>Goodwill £m</i> | <i>Total £m</i> |
|--|-------------------------------------|------------------------|---------------------|
| Cost: At 30 June 2017, 29 June 2018, 28 June 2019 | 4 | 18 | 22 |
| Amortisation: | | | |
| At 30 June 2017 | 1 | - | 1 |
| Amortisation | 1 | - | 1 |
| At 29 June 2018 | 2 | - | 2 |
| Amortisation | 1 | - | 1 |
| At 28 June 2019 | 3 | - | 3 |
| Net book value: | | | |
| At 28 June 2019 | 1 | 18 | 19 |
| At 29 June 2018 | 2 | 18 | 20 |
| At 30 June 2017 | 3 | 18 | 21 |

Notes to the financial statements

at 28 June 2019

9. Plant and equipment

| <i>28 June 2019</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 29 June 2018 | 119 | 74 | 17 | 31 | 241 |
| Additions | 15 | 9 | 3 | 11 | 38 |
| Disposals | - | (22) | - | (11) | (33) |
| At 28 June 2019 | 134 | 61 | 20 | 31 | 246 |
| Depreciation: | | | | | |
| At 29 June 2018 | 44 | 58 | 7 | 11 | 120 |
| Charge for the period | 12 | 9 | 2 | 7 | 30 |
| Disposals | - | (22) | - | (6) | (28) |
| At 28 June 2019 | 56 | 45 | 9 | 12 | 122 |
| Net book value: | | | | | |
| At 28 June 2019 | 78 | 16 | 11 | 19 | 124 |

Contracted capital expenditure that has not been provided in the financial statements amounted to £3m (2018: £4m).

| <i>29 June 2018</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 30 June 2017 | 117 | 63 | 15 | 31 | 226 |
| Additions | 9 | 16 | 2 | 11 | 38 |
| Disposals | (7) | (5) | - | (11) | (23) |
| At 29 June 2018 | 119 | 74 | 17 | 31 | 241 |
| Depreciation: | | | | | |
| At 30 June 2017 | 39 | 54 | 5 | 11 | 109 |
| Charge for the period | 11 | 9 | 2 | 6 | 28 |
| Disposals | (6) | (5) | - | (6) | (17) |
| At 29 June 2018 | 44 | 58 | 7 | 11 | 120 |
| Net book value: | | | | | |
| At 29 June 2018 | 75 | 16 | 10 | 20 | 121 |
| At 30 June 2017 | 78 | 9 | 10 | 20 | 117 |

All plant and equipment is held by the LLP apart from £1m (2018: £1m) of short leasehold improvements held by a subsidiary.

Notes to the financial statements

at 28 June 2019

10. Investments

| | 2019 £m | 2018 £m |
|-------------------------------------|------------|------------|
| <i>Equity investments</i> | | |
| Investment in EY Global Finance Inc | 13 | 11 |
| Investment in EMEIA Fusion LP | 11 | 1 |
| Corporate bond fund | 12 | – |
| Total equity investments | 36 | 12 |
| Corporate bonds | – | 11 |
| | 36 | 23 |

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 invested an additional £2m in EMEIA Fusion LP, recognised fair value gains of £10m (2018: £nil) and transferred £11m of individual corporate bonds to a corporate bond fund in exchange for an interest in that fund.

11. Trade and other receivables

| | 2019 £m | 2018 £m |
|----------------------|------------|------------|
| Unbilled receivables | 233 | 230 |
| Client receivables | 427 | 473 |
| Other receivables | 196 | 126 |
| Corporate bonds | 3 | 3 |
| | 859 | 832 |

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

| | 2019 £m | 2018 £m |
|-------------------------------|------------|------------|
| At beginning of period | 13 | 18 |
| New and additional provisions | 11 | 16 |
| Recoveries | (9) | (16) |
| Write-offs | (3) | (5) |
| At end of period | 12 | 13 |

Notes to the financial statements

at 28 June 2019

12. 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, the lease incentive liability 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 if 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 £577m from £555m.

13. Trade and other payables

| | 2019 £m | 2018 £m |
|---------------------------------|------------|------------|
| Trade and other payables | 259 | 250 |
| Social security and other taxes | 107 | 95 |
| Payments on account | 73 | 68 |
| Provisions (note 15) | 3 | 4 |
| Annuity obligations (note 16) | 5 | 6 |
| Income tax payable | 6 | 7 |
| | 453 | 430 |

14. Operating leases

The firm has entered into non-cancellable commercial property leases with remaining terms of up to 21 years (2018: 22 years). Subleases have been granted on certain of these properties. Both leases and subleases include clauses to allow upward revision of the rental charge periodically according to prevailing market rates.

Future minimum rentals payable and receivable under non-cancellable operating leases, based on rental charges applicable as at 28 June 2019, are as follows:

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Future minimum lease payments payable: | | |
| Within one year | 41 | 41 |
| In the second to fifth years inclusive | 156 | 159 |
| After five years | 291 | 334 |
| | 488 | 534 |

Notes to the financial statements

at 28 June 2019

14. Operating leases (continued)

| | 2019 £m | 2018 £m |
|---|------------|------------|
| Future minimum sublease payments receivable | 3 | 4 |

15. Provisions and contingencies

| | 28 June 2019 £m | New increase £m | Release £m | Paid £m | 29 June 2018 £m |
|------------|-----------------------|-----------------------|---------------|------------|-----------------------|
| Properties | 13 | 1 | (1) | (1) | 14 |
| Claims | 17 | 9 | (2) | (1) | 11 |
| | 30 | 10 | (3) | (2) | 25 |

Provisions are analysed as follows:

| | 2019 £m | 2018 £m |
|-------------------|------------|------------|
| Current (note 13) | 3 | 4 |
| Non-current | 27 | 21 |
| | 30 | 25 |

Property provisions represent the estimated cost of dilapidations and losses on surplus leasehold property. 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 principally written through captive insurance companies involving other EY firms and a significant proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within five years, although claims that involve court action can take longer. Contingent liabilities arise where payments resulting from a claim are not probable or it is not possible to reliably estimate the financial effect of a claim.

Notes to the financial statements

at 28 June 2019

16. Annuity obligations

| | 2019 £m | 2018 £m |
|------------------------|------------|------------|
| At beginning of period | 44 | 49 |
| Experience variation | 1 | - |
| Discounting | 1 | 1 |
| Paid | (6) | (6) |
| At end of period | 40 | 44 |

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

| | 2019 £m | 2019 £m | 2018 £m | 2018 £m |
|-------------------------------------|------------|------------|------------|------------|
| Within one year - current (note 13) | | 5 | | 6 |
| Between one and five years | 16 | | 18 | |
| In more than five years | 19 | | 20 | |
| Non-current | | 35 | | 38 |
| | | 40 | | 44 |

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 28 June 2019. The main assumptions used were:

| | 2019 % | 2018 % |
|----------------------------|-----------|-----------|
| Inflation rates | 3.15 | 3.00 |
| Discount rates | 1.10 | 1.50 |
| Post-retirement mortality: | Years | Years |
| Current pensioners aged 85 | 7 | 7 |

Increasing/decreasing the life expectancy assumption by one year for all annuitants would increase/decrease the liability by £3m (2018: £3m).

Notes to the financial statements

at 28 June 2019

17. 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 a defined contribution section.

The defined benefit section of the EYRBP was closed to new members in 1997 and to future accrual in 2003.

The defined contribution section of the EYRBP has a defined benefit minimum guarantee, the Reference Scheme Test underpin, providing certain members with a minimum level of benefits. This section closed to future accrual on 31 March 2016.

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.

During the period, the firm recognised a £5m past service cost (note 5) in relation to guaranteed minimum pension equalisation for members who contracted out of the State Earnings Related Pension scheme during the period from 6 April 1978 to 5 April 1997.

In the prior period, the post retirement healthcare benefits scheme was withdrawn from most eligible current employees which resulted in a curtailment gain of £19m being credited to staff costs (note 5).

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

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

| | 2019 | 2018 |
|--------------------------------------|---------|---------|
| | £m | £m |
| Equities | 308 | 257 |
| Fixed interest stock | 400 | 453 |
| Liability driven investments* | 405 | 240 |
| Property | 38 | 51 |
| Hedge funds | 128 | 164 |
| Cash | 1 | 30 |
| Total fair value of assets | 1,280 | 1,195 |
| Present value of scheme liabilities | (1,482) | (1,353) |
| Post-retirement healthcare liability | (9) | (9) |
| Retirement benefit liabilities | (211) | (167) |

* 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 28 June 2019

17. 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 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 scheme, 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:

| | 2019 % | 2018 % |
|--|-----------|-----------|
| Pension scheme: inflation rate – Retail Prices Index (RPI) | 3.10 | 3.00 |
| Pension scheme: inflation rate – Consumer Prices Index (CPI) | 2.10 | 2.00 |
| Discount rate | 2.40 | 2.85 |
| Post-retirement mortality: | Years | Years |
| Current pensioners at 65 – male | 22 | 22 |
| Current pensioners at 65 – female | 23 | 24 |
| Future pensioners at 65 – male | 23 | 24 |
| Future pensioners at 65 – female | 24 | 25 |

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 which at year end had an average duration of 21 years (2018: 21 years). The inflation assumption is based on the difference between the yields on fixed interest and index linked government bonds.

The post-retirement mortality assumptions are based on the Club Vita mortality tables published by the UK actuarial profession and with projected improvements in line with the CMI 2018 tables (2018: CMI 2017), subject to a long term trend improvement rate of 1% (2018: 1%) per annum for males and 1.25% (2018: 1.25%) per annum for females.

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.

Notes to the financial statements

at 28 June 2019

17. Retirement benefit liabilities (continued)

Changes in the present value of the defined benefit obligations:

| | 2019 | 2018 |
|--|-------|-------|
| | £m | £m |
| At beginning of period | 1,362 | 1,467 |
| Benefits paid | (58) | (96) |
| Remeasurement loss/(gain) – effect of changes in financial assumptions | 178 | (46) |
| Remeasurement gain – effect of changes in demographic assumptions | (32) | (22) |
| Remeasurement loss – experience adjustments | – | 41 |
| Interest cost | 36 | 37 |
| Past service cost | 5 | – |
| Curtailment gain | – | (19) |
| At end of period | 1,491 | 1,362 |

Changes in the fair value of plan assets:

| | 2019 | 2018 |
|---|-------|-------|
| | £m | £m |
| At beginning of period | 1,195 | 1,213 |
| Interest income on plan assets | 34 | 34 |
| Contributions by employer | 37 | 36 |
| Benefits paid | (58) | (96) |
| Remeasurement gain – actual asset return in excess of interest income | 74 | 10 |
| Plan administrative expenses | (2) | (2) |
| At end of period | 1,280 | 1,195 |

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.

The effect of increasing/decreasing the inflation rate assumption by 0.25% would increase/decrease the liability by £33m (2018: £30m). A decrease/increase of 0.25% in the discount rate assumption would increase/decrease the liability by £71m (2018: £65m), and increasing/decreasing the life expectancy assumptions by one year for all scheme members would increase/decrease the liability by £58m (2018: £50m).

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 in the prior year to clear the pension scheme deficit following the most recent full triennial actuarial valuation as at 1 October 2016. This sets out that contributions of £37m, including administrative expenses of £2m, are made each July until 2025.

Notes to the financial statements

at 28 June 2019

18. Financial instruments

The firm has the following financial instruments:

| | <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> |
| 28 June 2019 | | | |
| Financial assets | | | |
| Investments | – | 24 | 12 |
| Trade and other receivables | 856 | – | – |
| Amounts due from members | 62 | – | – |
| Cash and cash equivalents | 53 | – | – |
| Financial liabilities | | | |
| Trade and other payables | 337 | – | – |
| Provisions | 13 | – | – |
| Members' capital | 166 | – | – |
| 29 June 2018 | | | |
| | <i>£m</i> | <i>£m</i> | <i>£m</i> |
| Financial assets | | | |
| Investments | – | 26 | – |
| Trade and other receivables | 829 | – | – |
| Amounts due from members | 71 | – | – |
| Cash and cash equivalents | 47 | – | – |
| Financial liabilities | | | |
| Trade and other payables | 324 | – | – |
| Provisions | 14 | – | – |
| Members' capital | 164 | – | – |

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.

Liquidity risk

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

Notes to the financial statements

at 28 June 2019

18. Financial instruments (continued)

Liquidity risk (continued)

It is the firm's policy to have in place short-term borrowing facilities that exceed forecast borrowing requirements for the following twelve months. Bank overdraft facilities available at 28 June 2019 amounted to £76m (2018: £86m), all of which expire within a year. During the period, the firm extended its revolving credit facilities to £200m which now expire in 2024 (2018: £90m expiring in 2020). The facilities had not been drawn at the current or preceding period end. 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.

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 listed corporate bond (which matures in 2019), corporate bond fund and cash held at banks of £11m (2018: £15m). Receipts from these assets are designed to match, so far as possible, payments of certain annuity obligations (note 16).

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 £60m (2018: £67m) aged between three and six months and £13m (2018: £26m) 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 (2018: £50m) may be deposited with any one bank. The credit ratings of corporate bonds are monitored on an ongoing basis. At 28 June 2019, the security had a Standard and Poor's equivalent rating of A (2018: average of A-) and the corporate bond fund's investments are almost entirely investment grade. Amounts due from members are expected to be recovered from the current period's profit allocations.

Interest rate risk

Interest rate risk arises primarily from members' capital, cash and cash equivalents 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.

Notes to the financial statements

at 28 June 2019

18. Financial instruments (continued)

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.

19. 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 (2018: £10k) which remained payable at the period end. At the previous period end, EY Europe LLP owed the firm £444k which was repaid during the period.

Details of key management compensation and transactions with the pension scheme are disclosed in notes 7 and 17 respectively.

Two of the LLP's subsidiaries, Foviance Group Limited (registered number 04331949) and Rolls House Holdings Limited (registered number 01985589) are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of s479A.

LLP income statement

for the period ended 28 June 2019

Registered number OC300001

| | Notes | 2019 £m | 2018 £m |
|--|-------|------------|------------|
| Fee income | 20 | 2,425 | 2,372 |
| Expenses billed to clients | | (386) | (392) |
| Net revenue | | 2,039 | 1,980 |
| Other operating income | | 280 | 258 |
| Operating expenses | 21 | (1,869) | (1,779) |
| Operating profit | | 450 | 459 |
| Dividend income from subsidiaries | | 60 | 56 |
| Finance revenue | 22 | 1 | 1 |
| Finance costs | 23 | (11) | (9) |
| Profit for the financial period | | 500 | 507 |

LLP statement of comprehensive income

for the period ended 28 June 2019

| | Note | 2019 £m | 2018 £m |
|---|------|------------|------------|
| Profit for the financial period | | 500 | 507 |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Remeasurement gains on retirement benefit liabilities | 17 | (72) | 37 |
| Fair value gains on investments | | 10 | - |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Other fair value gains/(losses) | | (3) | - |
| Total comprehensive income for the financial period | | 435 | 544 |

LLP balance sheet

at 28 June 2019

Registered number OC300001

| | | 28 June 2019 | 29 June 2018 |
|---|-------|-----------------|-----------------|
| | Notes | £m | £m |
| Assets | | | |
| Non-current assets | | | |
| Plant and equipment | 9 | 123 | 120 |
| Investments | 10 | 36 | 23 |
| Investments in subsidiaries | 24 | 27 | 27 |
| | | 186 | 170 |
| Current assets | | | |
| Trade and other receivables | 25 | 853 | 816 |
| Amounts due from members | | 62 | 71 |
| Prepayments | | 26 | 24 |
| Cash and cash equivalents | | 47 | 39 |
| | | 988 | 950 |
| Total assets | | 1,174 | 1,120 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 26 | 511 | 480 |
| | | 511 | 480 |
| Non-current liabilities | | | |
| Provisions | 15 | 27 | 21 |
| Annuity obligations | 16 | 35 | 38 |
| Retirement benefit liabilities | 17 | 211 | 167 |
| Lease incentive | | 32 | 34 |
| | | 305 | 260 |
| Members' capital | | 166 | 164 |
| Total liabilities | | 982 | 904 |
| Equity: Members' other interests | | 192 | 216 |
| Total equity and liabilities | | 1,174 | 1,120 |

Steve Varley
Designated Member

Date 7/10/2019

Lynn Rattigan
Designated Member

7/10/2019 Date

LLP statement of cash flows**for the period ended 28 June 2019**

Registered number OC300001

| | <i>Notes</i> | <i>2019 £m</i> | <i>2018 £m</i> |
|--|--------------|--------------------|--------------------|
| Profit for the financial period | | 500 | 507 |
| Adjustment for: | | | |
| Net finance costs | | (50) | (48) |
| Depreciation | | 30 | 28 |
| Profit on disposal of plant and equipment | | (1) | (1) |
| Retirement benefit contributions net of plan administration expenses | 17 | (35) | (34) |
| Curtailed gain on post-retirement healthcare benefit scheme | 17 | - | (19) |
| Past service cost on retirement benefit obligations | 17 | 5 | - |
| Gains on corporate bonds and corporate bonds funds | | (4) | - |
| Increase in trade and other receivables | | (39) | (1) |
| Increase in trade and other payables | | 91 | 21 |
| Increase/(decrease) in provisions and annuity obligations | | 6 | (6) |
| Cash generated from operations | | 503 | 447 |
| Annuity payments | 16 | (6) | (6) |
| Net cash inflows from operating activities | | 497 | 441 |
| Purchase of plant and equipment | | (38) | (38) |
| Proceeds from sale of plant and equipment | | 6 | 7 |
| Purchase of investments | | (2) | (1) |
| Interest received | | 1 | 1 |
| Net cash outflows from investing activities | | (33) | (31) |
| Payments to and on behalf of members | | (454) | (452) |
| Interest paid on subsidiary loans | | (1) | (1) |
| Members' capital introduced | | 19 | 25 |
| Repayment of capital to retiring members | | (17) | (16) |
| Interest paid | | (3) | (1) |
| Net cash outflows from financing activities | | (456) | (445) |
| Net increase/(decrease) in cash and cash equivalents | | 8 | (35) |
| Cash and cash equivalents at beginning of period | | 39 | 74 |
| Cash and cash equivalents at end of period | | 47 | 39 |

LLP statement of changes in members' interests

at 28 June 2019

| | <i>Members' other interests</i> | | | | <i>Amounts due</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>Total members' interests</i> |
| | £m | £m | £m | £m | £m | £m | £m |
| At 30 June 2017 | 384 | (270) | 3 | 117 | 155 | (67) | 205 |
| Total comprehensive income | 507 | 37 | - | 544 | - | 3 | 547 |
| Transfers between reserves | (54) | 54 | - | - | - | - | - |
| Profit allocations | (445) | - | - | (445) | - | 445 | - |
| Payments to and on behalf of members | - | - | - | - | - | (452) | (452) |
| Capital introduced | - | - | - | - | 25 | - | 25 |
| Capital repaid | - | - | - | - | (16) | - | (16) |
| At 29 June 2018 | 392 | (179) | 3 | 216 | 164 | (71) | 309 |
| Total comprehensive income | 500 | (72) | 7 | 435 | - | 4 | 439 |
| Transfers between reserves | (32) | 32 | - | - | - | - | - |
| Profit allocations | (459) | - | - | (459) | - | 459 | - |
| Payments to and on behalf of members | - | - | - | - | - | (454) | (454) |
| Capital introduced | - | - | - | - | 19 | - | 19 |
| Capital repaid | - | - | - | - | (17) | - | (17) |
| At 28 June 2019 | 401 | (219) | 10 | 192 | 166 | (62) | 296 |

Notes to LLP financial statements

at 28 June 2019

20. Fee income

| | 2019 £m | 2018 £m |
|-------------------------------|------------|------------|
| Assurance services | 642 | 676 |
| Advisory services | 620 | 626 |
| Taxation services | 726 | 670 |
| Transaction Advisory services | 437 | 400 |
| | 2,425 | 2,372 |

21. Operating expenses

| | 2019 £m | 2018 £m |
|--|------------|------------|
| People costs | 1,288 | 1,212 |
| Other operating charges (including depreciation) | 581 | 567 |
| | 1,869 | 1,779 |

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.

22. Finance revenue

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Interest receivable on corporate bonds | 1 | 1 |

23. Finance costs

| | 2019 £m | 2018 £m |
|--|------------|------------|
| Net interest on retirement benefit liabilities (note 17) | 2 | 3 |
| Interest on annuity obligations (note 16) | 1 | 1 |
| Interest on loan from subsidiary | 1 | 1 |
| Interest on members' capital | 4 | 3 |
| Interest payable on bank loans and overdraft | 3 | 1 |
| | 11 | 9 |

Notes to LLP financial statements

at 28 June 2019

24. Investment in subsidiaries

| | 2019 | 2018 |
|------|------|------|
| | £m | £m |
| Cost | 27 | 27 |

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 |
| EY Greenwich Advisory Services Limited | UK | In liquidation |
| Rolls House Holdings Limited | UK | Holding entity of Ernst & Young Services Limited |
| Integr UK Limited | UK | In liquidation |
| Foviance Group Limited | UK | Holding entity of EY Seren Limited |
| EY Seren Limited * | UK | Consultancy service provider |
| Parthenon London Tenant Limited | UK | Lease management |
| EY Foundation | UK | Charity |
| Ernst & Whinney Limited | UK | Dormant |
| Ernst & Young 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 |
| Seren Partners Limited * | UK | In liquidation |
| Se Vendre Limited * | UK | In liquidation |
| Webabacus Limited * | UK | In liquidation |
| 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:

Foviance Group Limited, EY Seren Limited, Seren Partners Limited, Se Vendre Limited and Webabacus Limited: 55 - 57 Rivington Street, London, EC2A 3QA

Integr UK Limited: Bedford House, 16 Bedford Street, Belfast, BT2 7DT

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

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

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

Notes to LLP financial statements

at 28 June 2019

25. Trade and other receivables

| | 2019 | 2018 |
|------------------------------|------|------|
| | £m | £m |
| Unbilled receivables | 230 | 217 |
| Client receivables | 425 | 468 |
| Amounts owed by subsidiaries | 12 | 14 |
| Other receivables | 183 | 114 |
| Corporate bonds | 3 | 3 |
| | 853 | 816 |

Client receivables are shown net of an allowance for expected credit losses, movements on which are analysed in note 11.

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

26. Trade and other payables

| | 2019 | 2018 |
|---------------------------------|------|------|
| | £m | £m |
| Trade and other payables | 259 | 233 |
| Social security and other taxes | 65 | 63 |
| Amounts owed to subsidiaries | 106 | 106 |
| Payments on account | 73 | 68 |
| Provisions (note 15) | 3 | 4 |
| Annuity obligations (note 16) | 5 | 6 |
| | 511 | 480 |

27. Cash flows from operations

Non-cash movements include the offset of £60m of dividends receivable from subsidiaries against amounts owed to subsidiaries.

28. Related parties

Income earned and purchases made from subsidiaries was £12m (2018: £4m) and £1,180m (2018: £1,072m) respectively. Other information about transactions with subsidiaries is shown in notes 22, 23, 25 and 26.

Details of key management compensation, transactions with the pension scheme and with EY Europe LLP are disclosed in notes 7, 17 and 19 respectively.

Included within the amounts owed to subsidiary undertakings is a loan of £53m (2018: £53m) which carried interest at the rate of 2% (2018: 1.5%) above the Bank of England base rate. All other balances due to or from subsidiaries are non-interest bearing.

29. Financial instruments

Details of the LLP's financial instruments are substantially the same as those disclosed for the LLP and its subsidiaries in notes 12 and 18.