

EY Professional Services Limited

Annual Reports and Financial Statements

30 June 2023

Registered No. 06015277

Registered in England and Wales

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COMPANIES HOUSE

Directors

S Orr
D Scourfield
J Hughes
S Dawe

Auditor

BDO LLP
55 Baker Street
London W1U 7EU

Registered Office

1 More London Place
London SE1 2AF

Strategic report

The directors present their strategic report for the period from 2 July 2022 to 30 June 2023, the prior period being period from 3 July 2021 to 1 July 2022.

Principal activity and review of the business

The principal activity of EY Professional Services Limited (the “company”) is the provision of technology consulting and people advisory services.

The key financial and other performance indicators during the period were as follows:

	30 June 2023 £k	1 July 2022 £k
Revenue	70,033	50,093
Debtor days	42 days	79 days

Revenue has increased by 40% compared to the prior period primarily due to increased market demand for SAP and Microsoft transformation services, in addition to growth via acquisition activity. As part of the company’s strategy to expand its digital engineering and ServiceNow platform consulting services it acquired Digital Detox Ventures Limited on 29 July 2022 and Whyaye Limited on 11 May 2023. Acquisitions during the current period contributed revenue of £5,056k (2022: £18,351k). The company continues to focus on integrating these businesses and leveraging synergies with its ultimate parent entity, Ernst & Young LLP, leading to more opportunities and greater client coverage. Pro forma revenue for entities within the group before 3 July 2021 was £39,322k compared with pro forma revenue of £23,548k in the previous year. This represents underlying organic growth of 67% (2022: 22%).

Future developments

The directors consider that the demand for the provision of the company’s services will continue in the future. The directors plan to expand the business through acquisitions and will continue to look for future acquisitions that are a benefit to the entity and its ultimate parent company.

Principal risks and uncertainties

The principal risk facing the company relates to ensuring the operational capability to service the predicted level of future growth and so its ability to attract and retain the appropriate skills and knowledge. However, so far, the company has been successful in recruiting staff at all levels.

The policies for managing the risks relating to financial instruments are set out in note 18.

Going concern

The company actively manages its operating cash flows to ensure that all repayment and funding needs are met. EY Professional Services Limited continues to manage both operational and business risks well.

The directors are closely monitoring the ongoing impact of the current macro-economic environment. The directors have performed a going concern assessment and sensitivity analysis under multiple scenarios, including a decline in revenue and increased collection days, and have performed a detailed review of the cash flow forecast to December 2024. They have also considered what mitigations could be put in place if required by the parent entity.

Strategic report

Going concern (continued)

The directors believe EY Professional Services Limited has sufficient cash flows and is well placed to manage the risks and uncertainties arising. Under some scenarios modelled, additional funding would be required. The ultimate parent entity has confirmed in a letter of support to the Directors of the company that it is committed to providing funding if required.

Accordingly, the directors of EY Professional Services Limited have concluded that the company has adequate resources to continue in operational existence for at least twelve months from the date of signing the financial statements and so continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Section 172 statement

The company is an indirect subsidiary of Ernst & Young LLP ("EY LLP"). The company's principal activity is stated above. EY LLP commits to the Audit Firm Governance Code published by the Financial Reporting Council. To do this, EY LLP has therefore put in place certain processes, procedures and arrangements, which apply, as relevant, to the company.

Consequently, governance and related decision-making generally operates at the EY LLP level, consistent with EY LLP's service lines and functions (including the talent function), and EY LLP maintains/fosters business relationships with suppliers, customers and others, which benefit both EY LLP and its direct and indirect subsidiaries, including the company. Therefore, EY LLP's governance process applies, as relevant, to the company, to ensure that decisions are made at the appropriate level in the organization (given, for example, EY LLP is the principal contracting entity with third parties), and that transactions are carried out by the appropriate legal entity. Such governance processes also ensure that related decisions and engagement with certain groups of stakeholders (e.g. the company's employees and its suppliers) are conducted by EY LLP on the company's behalf, or in conjunction with the company, as appropriate. As they are also members of EY LLP, the directors are cognizant of all of the above and they have access to relevant information available to them on matters directly impacting the company, including regular reports and updates on EY LLP's activities and performance.

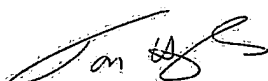
Given the governance arrangements stated above, and the fact that the company is an indirect subsidiary of EY LLP, EY LLP's performance directly influences the future performance and direction of the company. Accordingly, and taking into account the company's principal activities, the company's directors consider that the company's key stakeholders are: the company's employees, its clients and EY LLP.

Strategic report

Section 172 statement (continued)

During the period, the company's directors acted in a way that they considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, have had regard to the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when making decisions. In addition, the company's directors also had regard to other factors and matters that they considered relevant to decisions made. When required, the company's directors held board meetings to make key decisions relating to the company, where such matters and factors were considered, as relevant. This therefore took place when the company decided to: (i) make a further deferred consideration payment in respect of an acquisition completed in a previous financial year; and (ii) complete planned acquisitions. In making key decisions, the directors have given considerations to the activities carried out by EY LLP on behalf of the company, such as engagement with the company's employees and supporting their integration into EY LLP (as applicable).

For and on behalf of the Board



J Hughes

Director

Date: 15 December 2023

Directors' report

The directors present their report and financial statements for the company.

The strategic report, the directors' report and financial statements cover the period from 2 July 2022 to 30 June 2023, the comparative period being from 3 July 2021 to 1 July 2022.

Results and dividends

The loss for the period after taxation amounted to £10,013k (2022: loss £15,607k).

The company's business activities, together with its future expected business developments and risk exposures are described in the strategic report.

No dividends were declared or paid during the period (2022: nil).

Financial instruments

The directors are responsible for setting objectives and policies in relation to financial instruments, details of which can be found in note 18.

Directors

The directors during the period ended 30 June 2023 and the period up until approval of the financial statements were:

S Orr
D Scourfield
J Hughes
S Dawe

Auditor

Having made enquiries of the company's auditor, the directors at the date of approving this annual report confirm that:

- to the best of their knowledge and belief, there is no information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware; and
- the directors have taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

BDO LLP were appointed as auditor to the company for the period ending 28 June 2024 and have expressed their willingness to continue in office.

For and on behalf of the Board



J Hughes
Director

Date: 15 December 2023

Statement of directors' responsibilities

The directors are responsible for preparing the annual reports and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report

to the shareholder of EY Professional Services Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2023 and of its loss for the period then ended; and
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of EY Professional Services Limited ("the Company") for the 12 month period ended 30 June 2023 which comprise Statement of comprehensive income, Statement of changes in equity, Balance sheet, Cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report

to the shareholder of EY Professional Services Limited

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept, 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 accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, the Directors 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 Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance, including the General Counsel; and
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the Companies Act 2006 and international accounting standards.

Independent auditor's report

to the shareholder of EY Professional Services Limited

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be data protection laws, anti-money laundering regulations and UK employment and taxation legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with key management personnel and those charged with governance and internal audit regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of control, revenue recognition and the valuation of unbilled receivables.

Our procedures in respect of the above included:

Management Override of Controls:

- Testing a sample of journal entries throughout the year, which met a defined risk criterion, by agreeing to supporting documentation;
- Incorporating unpredictability testing;
- Assessing significant estimates made by management for bias; and
- Challenging and assessing the appropriateness of the estimation uncertainty and judgement made by Management having regard to supporting evidence and historical outcomes. The key estimates and judgements were identified as revenue recognition and the assumptions used in the impairment testing of goodwill and intangible assets.

Revenue recognition and valuation of unbilled receivables:

- Tests of controls: We tested the operating effectiveness of key controls in the revenue transaction cycle where revenue was a significant audit risk. This included controls over the signing of the contract with the customer, the accuracy of timecards, costs incurred on engagements, the automatic calculation of unbilled receivables and the confirmation of the stage of completion at and around the period end.
- Tests of detail: For engagements open at the period end, we also performed substantive testing procedures to address the risk over revenue recognition at period-end as follows:
- Re-calculated the expected revenue recognised to conclude whether it was determined in line with contractual terms, the Company's accounting policy and to ensure revenue recognition was in accordance with the requirements of the accounting framework.

Independent auditor's report

to the shareholder of EY Professional Services Limited

- Challenged the stage of completion, revenue recognised, and any provisions held against unbilled amounts through enquiry with the EY engagement teams and through obtaining corroborating evidence.
- Assessed open engagements against engagement level data available around the period end, both before and after, to substantiate the estimates used in determining the revenue recognised.
- Performed a retrospective review of the samples selected for testing in the prior and current period against updated or finalised information to assess the accuracy of Management's estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.


Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Jason Partington (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
Date: 15 December 2023

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

Statement of comprehensive income

for the period ended 30 June 2023

	Notes	30 June 2023 £k	1 July 2022 £k
Revenue	3	70,033	50,093
Expenses billed to clients		(6,744)	(6,114)
Net revenue		63,289	43,979
Other operating income		10,786	9,691
Operating expenses	4	(34,908)	(29,119)
Staff cost	5	(46,292)	(36,569)
Depreciation, amortisation and impairment		(4,328)	(5,749)
Operating loss		(11,453)	(17,767)
Dividend income from subsidiaries		–	2,000
Finance income		–	1
Finance costs		(44)	(114)
Loss before tax		(11,497)	(15,880)
Tax credit	7	1,484	273
Loss and total comprehensive loss for the period		(10,013)	(15,607)

Statement of changes in equity

for the period ended 30 June 2023

	Notes	Called up share capital £k	Share premium £k	Retained earnings £k	Total equity £k
At 2 July 2021		1	29,733	3,250	32,984
Loss and total comprehensive loss for the period		–	–	(15,607)	(15,607)
Share capital issued	16	1	22,329	–	22,330
At 1 July 2022		2	52,062	(12,357)	39,707
Loss and total comprehensive loss for the period		–	–	(10,013)	(10,013)
Share capital issued	16	25,477	3,897	–	29,374
At 30 June 2023		25,479	55,959	(22,370)	59,068

Balance sheet

as at 30 June 2023

Registered number 06015277

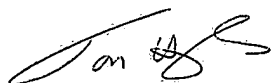
		30 June 2023	Restated 1 July 2022
	Notes	£k	£k
ASSETS			
Non-current assets			
Intangible assets	8	71,439	46,288
Property, plant and equipment	9	269	14
Right-of-use asset	10	13	500
Investment in subsidiaries	12	8,213	7,590
Total non-current assets		79,934	54,392
Current assets			
Trade and other receivables	13	19,219	25,882
Tax receivables		–	451
Cash		21,074	15,439
Total current assets		40,293	41,772
TOTAL ASSETS		120,227	96,164

Balance sheet**as at 30 June 2023**

Registered number 06015277

		30 June 2023 £k	Restated 1 July 2022 £k
	Notes		
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	14	51,920	47,131
Tax payables		117	–
Provisions	15	206	285
Lease liabilities	17	684	771
Total current liabilities		52,927	48,187
Non-current liabilities			
Lease liabilities	17	2,120	2,733
Provisions	15	1,306	1,475
Deferred tax liability	7	4,806	4,062
Total non-current liabilities		8,232	8,270
Equity			
Called up share capital	16	25,479	2
Share premium	16	55,959	52,062
Retained earnings		(22,370)	(12,357)
Total equity		59,068	39,707
TOTAL EQUITY AND LIABILITIES		120,227	96,164

The financial statements of EY Professional Services Limited for the period ended 30 June 2023 were authorised for issue by the board of directors and signed on their behalf by:



J Hughes
Director
Date: 15 December 2023

Cash flow statement

for the period ended 30 June 2023

	30 June 2023 £k	Restated 1 July 2022 £k
Operating activities		
Loss before tax	(11,497)	(15,880)
Adjusted for:		
Depreciation	66	843
Amortisation	2,098	1,807
Impairment of investment in subsidiary	–	2,000
Impairment of right-of-use asset	503	2,083
Impairment of other intangible assets	2,164	1,100
Loss on disposal of property, plant and equipment	73	–
Net finance costs	44	113
Net foreign exchange loss/(gain)	59	(34)
Dividends received	–	(2,000)
Movements in provisions	(248)	1,630
Decrease/(increase) in trade and other receivables	10,437	(12,486)
(Decrease)/increase in trade and other payables	(91)	28,675
	<u>3,608</u>	<u>7,851</u>
Corporation tax received/(paid)	371	(2)
Net cash inflows from operating activities	<u>3,979</u>	<u>7,849</u>
Investing activities		
Cash paid net of cash acquired on acquisition of subsidiary	(26,580)	(19,939)
Purchase of property, plant and equipment	(254)	–
Dividends received	–	2,000
Interest received	–	1
Net cash outflows from investing activities	<u>(26,834)</u>	<u>(17,938)</u>
Financing activities		
Issue of share capital	29,374	22,330
Interest paid	–	(67)
Payment of principal portion of lease liabilities	(781)	(726)
Payment of interest portion of lease liabilities	(44)	(47)
Net cash inflows from financing activities	<u>28,549</u>	<u>21,490</u>
Increase in cash	<u>5,694</u>	<u>11,401</u>
Net foreign exchange differences	(59)	34
Cash at beginning of period	<u>15,439</u>	<u>4,004</u>
Cash at end of period	<u><u>21,074</u></u>	<u><u>15,439</u></u>

Notes to the financial statements

for the period ended 30 June 2023

1. Corporate information

EY Professional Services Limited is a private company limited by shares incorporated, domiciled and registered in England and Wales (registered number 06015277). The company's registered office address is 1 More London Place, London SE1 2AF.

Details of the principal activity of EY Professional Services Limited can be found in the Strategic report.

The financial statements of EY Professional Services Limited for the period from 2 July 2022 to 30 June 2023 were authorised for issue by the Board of Directors on 15 December 2023.

2. Significant accounting policies

The principal accounting policies are summarised below and have all been applied consistently throughout the period and the preceding period, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the Companies Act 2006 ("IFRS").

The financial statements have been prepared on the accrual basis of accounting using a number of measurement bases as set out in the accounting policies below.

The directors believe it is appropriate to present the accounts on a going concern basis. The directors have concluded that it is appropriate to adopt the going concern basis having considered multiple forecasts, covering a period up to 31 December 2024. The forecasts consider the impact of the current macro-economic environment in a range of severe but plausible scenarios including varying declines in revenue and collection rates. Under some scenarios modelled, additional funding would be required. The ultimate parent company has confirmed in a letter of support to the Directors of the company that it is committed to providing funding if required. The impact on EY Professional Services Limited's cash flows has then been considered and the directors of the company have concluded that there is no material uncertainty relating to going concern and that it is appropriate to present the financial statements of the company on a going concern basis. Further details of this assessment can be found within the Strategic report.

The functional currency of the company is pounds sterling. The financial statements are presented in pounds sterling and, unless otherwise indicated, are rounded to the nearest thousand pounds (£k).

The financial statements have been drawn up for the period from 2 July 2022 to 30 June 2023 (the comparative period being the period from 3 July 2021 to 1 July 2022).

The company is exempt from the obligation to prepare group accounts under section 400 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking and its ultimate parent undertaking prepares group accounts (see note 20). Consequently, these financial statements contain information about EY Professional Services Limited as an individual entity.

Restatement

In the current financial year the firm has revised its methodology for identifying individual contract balances, resulting in a more detailed analysis at an individual contract level of payments on account. The financial statements were required to be restated to reflect this more detailed analysis and adjust previously reported balances. The net impact is an increase to both unbilled receivables and payments on account of £1,525k in 2022. There was no impact on the 2021 balances. The cash flow statement has been adjusted accordingly, with no impact on net cash flows from operating activities. No adjustment has been required to the income statement.

Judgements and key sources of estimation uncertainty

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

Notes to the financial statements

for the period ended 30 June 2023

2. Significant accounting policies (continued)

Judgements and key sources of estimation uncertainty (continued)

Judgements

- Leases - determining incremental borrowing rate and lease term where there are options to extend or terminate (page 18)
- Useful economic life of acquired intangible assets (page 16)
- Impairment of goodwill (page 19)

Estimates

- Revenue recognition – estimating the costs to complete and the value of unsatisfied/partially satisfied performance obligations (page 17)
- Valuation and of acquired intangible assets (page 16)

Business combinations

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

Significant estimates

The fair value and useful economic life of intangible assets identified on acquisition is calculated based on a valuation model where key assumptions include forecasted future performance and risk related discount rates.

The effect of making different valuation assumptions could have a material effect on the valuation of intangible assets individually but would have no effect to the combined intangible assets recognised.

The effect of making different assumptions on useful economic life could have a material impact on the valuation of intangible assets.

Foreign currencies

Transactions denominated in currencies other than sterling are translated into sterling at the exchange rate in operation when the transaction occurred. Monetary assets and liabilities denominated in currencies other than sterling are translated at the rate of exchange ruling at the balance sheet date. All exchange gains or losses are recognised in the income statement as they arise.

Revenue

Revenue is earned under contracts with clients to provide a variety of implementation and design technology services and people advisory services. Revenue is recognised when control of services is transferred to the client at an amount that reflects the consideration to which the company 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 total transaction price is then allocated to each performance obligation within the contract.

The company typically recognises the transaction price as revenue over time because most contracts give the company the enforceable right to receive payment for work performed to date and no asset with an alternative use is created. Where this is not the case, the company recognises revenue at a point in time, typically when the service has been completed and delivered to the customer.

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

The company has not disclosed the transaction price allocated to unsatisfied or partially unsatisfied performance obligations at the period end as the performance obligations had an original expected duration of less than one year.

Notes to the financial statements

for the period ended 30 June 2023

2. Significant accounting policies (continued)

Revenue (continued)

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, however, if contractual terms allow the company to have an unconditional right to receive payment for performance completed to date the difference is recorded as client debtors. Amounts received in advance of performance are recognised as payments on account.

Where the amounts billed exceed the revenue recognised at the period end date, the difference is recognised as client debtors and as payments on account provided the contract is non-cancellable and gives unconditional right to payment for services that have not yet been completed or for services to be provided in the near future. The performance obligations related to any payments on account are generally satisfied within a year of such billing.

Revenue expected to be recognised by the firm in future periods from satisfaction of performance obligations that were unsatisfied or partially unsatisfied at the period end was estimated to be £16m (2022: £20m) of which £9m (2022: £16m) is expected to be recognised in more than one year.

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 13 and 14 respectively. Revenue recognised in the current year in respect of performance obligations satisfied, or partially satisfied, in previous years amounted to £487k (2022: £25k), and includes revisions to such estimates.

Other operating income

Income earned from providing support services, to EYGS LLP and the network to further the international alignment, enhance cooperation and cohesion among Member Firms 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.

Pensions

The company operates a defined contribution scheme. Contributions to the defined contribution scheme 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.

Staff costs

Amounts relating to staff costs are recognised as an expense in the income statement as incurred. Unpaid staff costs are included in trade and other payables.

Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Notes to the financial statements

for the period ended 30 June 2023

2. Significant accounting policies (continued)

Leases(continued)

i) Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets comprises the amount of lease liabilities recognised adjusted for prepayments. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

ii) Lease liabilities (continued)

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments are fixed payments.

In calculating the present value of lease payments, the company uses its incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term or a change in the remaining lease payments.

Lease liabilities are presented in a separate line of the balance sheet.

Significant judgements

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

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

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

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

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

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation or amortisation and any impairment in value. The initial cost of an asset 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
Fixture and fittings	–	4 years
Computer equipment	–	3 years
Intangible assets	–	1.5-10 years

Notes to the financial statements

for the period ended 30 June 2023

2. Significant accounting policies (continued)

Property, plant and equipment and intangible assets (continued)

An item of property, 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.

Impairment of non-financial assets

The carrying value of non-financial assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. 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.

Significant estimates

For the purpose of impairment testing, goodwill is allocated to the cash generating unit ("CGU") from the business combination in which the goodwill arose. The carrying amount of goodwill is compared to the recoverable amount of the CGU, which is its value in use.

The estimation of value in use is based on assumptions including estimates on future growth rates and appropriate discount rates. These assumptions are based on future events and are therefore revised as circumstances change.

The effect of a change in the estimates could have a material effect on the carrying value of the goodwill shown in note 8.

Investments

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

Financial instruments

Financial instruments are recognised when the company 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.

Trade and other receivables

Trade receivables represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Trade and other receivables are carried at amortised cost, which is equal to the original transaction amount, less a provision for expected credit losses (ECLs). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the company expects to receive.

Trade and other payables

Trade and other payables are carried at amortised cost, which generally approximates to their nominal amount.

Cash

Cash comprises cash in hand and current balances with banks.

For the purpose of the cash flow statement, cash and cash equivalents is as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the company 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. 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.

Notes to the financial statements

for the period ended 30 June 2023

2. Significant accounting policies (continued)

Income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Interest levied on unpaid tax is classified as a finance cost.

Deferred income tax assets are recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or unused tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the temporary differences reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The company has applied the exception under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

Dividends

A liability is recognised to pay dividends to the shareholder when the dividend is appropriately authorised and no longer at the discretion of the company i.e. when dividends are approved by the shareholders.

Dividends proposed or declared after the balance sheet date but before the financial statements are authorised, are not recognised but disclosed in the notes to the financial statements.

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

A number of amendments and interpretations apply for the first time in the current period, but do not have an impact on the financial statements of the company.

Standards that are not yet effective

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

3. Fee income

	30 June 2023 £k	1 July 2022 £k
Technology consulting services	48,566	34,075
Workforce advisory services	16,912	13,430
Business consulting services	4,555	2,588
	<u>70,033</u>	<u>50,093</u>

Notes to the financial statements

for the period ended 30 June 2023

4. Operating expenses

Included within operating expenses are the following items:

	30 June 2023 £k	1 July 2022 £k
Foreign exchange losses/(gains)	595	(357)
Impairment of investment	–	2,000
Impairment of other intangible assets	2,164	1,100
Bad debt expense	10	8
	<u> </u>	<u> </u>

Fees payable to the company's auditor for the audit of the company financial statements were £105k (2022: £77k). No other services were provided by the auditor during the current period (2022: £nil).

5. Staff costs

The employment costs of staff during the period were:

	30 June 2023 £k	1 July 2022 £k
Salary and benefits	39,456	31,429
Social security costs	4,783	3,603
Other pension costs	2,053	1,537
	<u> </u>	<u> </u>
	46,292	36,569
	<u> </u>	<u> </u>

Average number of employees during the period was:

	30 June 2023 No.	1 July 2022 No.
Client service staff	431	341
Support staff	11	9
	<u> </u>	<u> </u>
	442	350
	<u> </u>	<u> </u>

6. Directors' remuneration

In the current and previous period, the directors received no remuneration for their services as directors or their services in connection with the management of the company.

Notes to the financial statements

for the period ended 30 June 2023

7. Tax

(a) Tax on loss

	30 June 2023 £k	1 July 2022 £k
<i>Current tax:</i>		
UK Corporation tax arising on profits in the period	158	–
Adjustments in respect of prior periods	–	21
Total current income tax	158	21
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(1,517)	(250)
Effects of change in tax rate	(88)	(10)
Adjustments in respect of prior periods	(37)	(34)
Total deferred tax	(1,642)	(294)
Total tax credit in the income statement	(1,484)	(273)

(b) Reconciliation of total tax credit

The table below explains the differences between the tax credit on continuing operations at the UK statutory tax rate for the financial period and the company's total tax credit for the financial period:

	30 June 2023 £k	1 July 2022 £k
Loss before tax	(11,497)	(15,880)
Loss multiplied by rate of corporation tax in the UK of 20.5% (2022: 19%)	(2,357)	(3,017)
<i>Effects of:</i>		
Adjustments in respect of previous periods	(37)	(13)
Expenses not deductible for tax purpose	1,179	2,020
Use of restricted trading losses	(181)	(120)
Group relief not paid for	–	1,092
Effects of changes in tax rate on deferred tax	(88)	(10)
Non taxable income	–	(380)
Derecognition of deferred tax on losses	–	155
Total tax credit reported in the income statement	(1,484)	(273)

The main rate of corporation tax is 20.5% (FY22: 19%). The Finance Bill 2021, which was substantially enacted by the balance sheet date, includes provisions to increase the main rate of corporation tax from 19% to 25% with effect from 1 April 2023. The deferred tax asset has been calculated at a rate of 25% which is the average rate prevailing in the period when the deferred tax asset is expected to be utilised.

Notes to the financial statements

for the period ended 30 June 2023

7. Tax (continued)

(c) Deferred tax

The deferred tax liability included in the balance sheet is as follows:

	30 June 2023 £k	1 July 2022 £k
Depreciation in excess of capital allowances	8	8
Deferred pension contributions	481	126
Deferred tax on non-deductible intangible assets	(5,295)	(4,196)
	<u>(4,806)</u>	<u>(4,062)</u>

The deferred tax included in the income statement is as follows:

	30 June 2023 £k	1 July 2022 £k
Decrease in accelerated capital allowances	–	(5)
Deferred pension contributions	(355)	(97)
Amortisation of non-deductible intangible assets	(1,287)	(343)
Accelerated capital allowances acquired on business acquisitions	–	(4)
Derecognition of deferred tax on losses of business acquisitions	–	155
	<u>(1,642)</u>	<u>(294)</u>

8. Intangible assets and goodwill

30 June 2023

	Goodwill £k	Customer relationships £k	Brand £k	Software £k	Total £k
Cost:					
At 2 July 2022	30,841	18,063	–	486	49,390
Acquisition of subsidiaries (note 11)	19,261	9,486	511	–	29,258
Additions	155	–	–	–	155
At 30 June 2023	<u>50,257</u>	<u>27,549</u>	<u>511</u>	<u>486</u>	<u>78,803</u>
Amortisation:					
At 2 July 2022	–	2,989	–	113	3,102
Amortisation	–	1,954	47	97	2,098
Impairment	–	2,164	–	–	2,164
At 30 June 2023	<u>–</u>	<u>7,107</u>	<u>47</u>	<u>210</u>	<u>7,364</u>
Net book value:					
At 30 June 2023	<u>50,257</u>	<u>20,442</u>	<u>464</u>	<u>276</u>	<u>71,439</u>

Notes to the financial statements

for the period ended 30 June 2023

8. Intangible assets and goodwill (continued)

1 July 2022	Goodwill	Customer relationships	Software	Total
	£k	£k	£k	£k
Cost:				
At 2 July 2021	16,850	10,749	486	28,085
Acquisition of subsidiaries (note 11)	13,991	7,314	–	21,305
At 1 July 2022	30,841	18,063	486	49,390
Amortisation:				
At 2 July 2021	–	179	16	195
Amortisation	–	1,710	97	1,807
Impairment	–	1,100	–	1,100
At 1 July 2022	–	2,989	113	3,102
Net book value:				
At 1 July 2022	30,841	15,074	373	46,288

Goodwill and intangible assets relate to the entity's accounting for business combinations. The trade and assets are transferred, post-acquisition, to EY Professional Services Limited. Goodwill as at the period end has arisen on the following business combinations:

Acquired business	Year of acquisition	Goodwill £k
Pythagoras Communications Holdings Limited	2021	16,851
Lane 4 Management Group Holdings Limited	2022	8,614
Seaton Partners Limited	2022	2,049
Peak EPM Limited	2022	3,482
Digital Detox Limited	2023	2,294
Whyaye Limited	2023	16,967
		50,257

Impairment review

The acquired businesses represent the CGUs for which goodwill is assessed for impairment. The recoverable amounts are determined based upon the value in use, using Board approved cash flow projections for the next five years. The key assumptions are presented in the table below:

	2023 %	2022 %
Year 1 – 5 average annual growth rate	28%	34.5%
Terminal growth rate	2.0% - 3.7%	2.5%
Discount rate	10.5% - 22.5%	7.0% – 11.5%

Reasonably possible changes in the key assumptions used in assessing the goodwill of each CGU would not result in an impairment of the goodwill.

Notes to the financial statements

for the period ended 30 June 2023

9. Property, plant and equipment

30 June 2023

	<i>Fixtures and fittings £k</i>	<i>Computer equipment £k</i>	<i>Total £k</i>
Cost:			
At 2 July 2022	625	32	657
Acquisitions	114	–	114
Additions	214	–	214
Disposals	(73)	–	(73)
At 1 June 2023	880	32	912
Depreciation:			
At 2 July 2022	611	32	643
Charge for the period	–	–	–
At 30 June 2023	611	32	643
Net book value at At 30 June 2023	269	–	269

1 July 2022

	<i>Fixtures and fittings £k</i>	<i>Computer equipment £k</i>	<i>Total £k</i>
Cost:			
At 2 July 2021	–	–	–
Acquisitions	625	32	657
At 1 July 2022	625	32	657
Depreciation:			
At 2 July 2021	–	–	–
Charge for the period	611	32	643
At 1 July 2022	611	32	643
Net book value at At 1 July 2022	14	–	14

Notes to the financial statements

for the period ended 30 June 2023

10. Right-of-use asset

Properties

	2023	2022
	£k	£k
Cost:		
At the beginning of the period	2,869	357
Additions from acquisitions	82	2,661
Remeasurements	–	(149)
At the end of the period	2,951	2,869
Depreciation and impairment:		
At the beginning of the period	2,369	86
Depreciation charge for the period	66	200
Impairment	503	2,083
At the end of the period	2,938	2,369
Net book value	13	500

Notes to the financial statements

for the period ended 30 June 2023

11. Business combinations

2023

On 29 July 2022, EY Professional Services Limited acquired the entire share capital of Digital Detox Ventures Limited ("Digital Detox") for consideration of £3,790k. Digital Detox is a digital engineering consultancy specialising in custom software development for digital applications.

On 11 May 2023, EY Professional Services Limited acquired the entire share capital of Whyaye Limited ("Whyaye") for consideration of £23,665k. Whyaye provides IT consulting services for the ServiceNow platform.

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

	<i>Digital Detox £k</i>	<i>Whyaye £k</i>	<i>Total £k</i>
Intangible assets (note 8)	1,216	8,781	9,997
Property, plant and equipment (note 9)	30	84	114
Right-of-use asset (note 10)	81	–	81
Trade and other receivables	460	3,316	3,776
Cash and cash equivalents	820	170	990
Lease liability	(82)	–	(82)
Corporate tax	–	(90)	(90)
Trade and other payables	(780)	(3,387)	(4,167)
Deferred tax liabilities	(249)	(2,176)	(2,425)
Total identifiable net assets acquired at fair value	1,496	6,698	8,194
Goodwill on acquisition (note 8)	2,294	16,967	19,261
Cash consideration paid	3,790	23,665	27,455
	<i>Digital Detox £k</i>	<i>Whyaye £k</i>	<i>Total £k</i>
Analysis of cash flows on acquisition:			
Cash paid	3,790	23,665	27,455
Net cash acquired with subsidiary	(820)	(170)	(990)
Net cash outflow	2,970	23,495	26,465

Fee income and losses generated by the acquirees from the date of acquisition to 30 June 2023 amount to £5,056k and £2,909k respectively. It is estimated that the company's fee income would have been higher by up to £14,108k if the acquisitions occurred on 2 July 2022 and the profits would have been £383k lower.

The goodwill of £19,261k comprises the expected synergies arising from the acquisitions together with the value of the assembled workforce which cannot be recognised as a separate asset under IFRS.

Notes to the financial statements

for the period ended 30 June 2023

11. Business combinations (continued)

2022

On 16 July 2021, EY Professional Services Limited, acquired the entire share capital of Lane 4 Management Group Holdings Limited and its subsidiaries (together "Lane 4 group") for consideration of £12m. Lane 4 group specialises in transformation and culture change, leadership and learning and delivering top-down large-scale transformational projects.

On 13 August 2021, EY Professional Services Limited, acquired the entire share capital of Seaton Partners Limited for consideration of £3m. Seaton Partners Limited provides information technology consultancy services.

On 10 December 2021, EY Professional Services Limited, acquired the entire share capital of Peak EPM Limited and its subsidiaries (together "Peak group") for consideration of £8m. Peak group is a consulting company offering pre-designed solutions for global planning, stress testing and cost allocation processes for the financial services industry.

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

	<i>Lane 4 Group £k</i>	<i>Seaton Partners Limited £k</i>	<i>Peak Group £k</i>	<i>Total £k</i>
Intangible assets (note 8)	3,406	1,314	2,594	7,314
Plant and equipment (note 9)	568	79	10	657
Trade and other receivables	4,128	478	1,300	5,906
Right-of-use assets	2,504	157	–	2,661
Cash and cash equivalents	1,689	–	1,747	3,436
Lease liabilities	(3,870)	(157)	–	(4,027)
Trade and other payables	(4,404)	(580)	(401)	(5,385)
Corporate tax	794	–	(220)	574
Deferred tax liabilities	(913)	(162)	(677)	(1,752)
Total identifiable net assets acquired at fair value	3,902	1,129	4,353	9,384
Goodwill on acquisition (note 8)	8,615	2,049	3,327	13,991
Cash consideration paid	12,517	3,178	7,680	23,375
	<i>Lane 4 Group £k</i>	<i>Seaton Partners Limited £k</i>	<i>Peak EPM Limited £k</i>	<i>Total £k</i>
Analysis of cash flows on acquisition:				
Cash paid	12,517	3,178	7,680	23,375
Net cash acquired with subsidiary	(1,689)	–	(1,747)	(3,436)
Net cash outflow	10,828	3,178	5,933	19,939

Fee income and losses generated by the acquirees from the date of acquisition to 1 July 2022 amount to £18,842k and £11,045k respectively. It is estimated that the company's fee income would have been higher by up to £5,176k if the acquisitions occurred on 3 July 2021 and the losses would have been £831k lower.

The goodwill of £13,401k comprises the expected synergies arising from the acquisitions together with the value of the assembled workforce which cannot be recognised as a separate asset under IFRS.

Notes to the financial statements

for the period ended 30 June 2023

12. Investments in subsidiaries

	30 June 2023 £k	1 July 2022 £k
Subsidiary undertakings held at cost		
At the beginning of the period	7,590	5,617
Acquisitions	623	3,973
Impairments	–	(2,000)
At the end of the period	8,213	7,590

Details of the subsidiary undertakings are as follows:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
AgilityWorks India Private Limited	India	Non-trading entity
Pythagoras Communications Holdings Limited	UK	Holding entity of Pythagoras Communications Limited
Pythagoras Communications Limited*	UK	Non-trading entity
Creative Sharepoint Limited*	UK	Non-trading entity
Pointbeyond Limited*	UK	Non-trading entity
Lane 4 Management Group Holding Limited	UK	Holding entity of Lane 4 Management Group Limited
Lane 4 Management Group Limited *	UK	Non-trading entity
Seaton Partners Limited	UK	Non-trading entity
Peak EPM Limited	UK	Non-trading entity
Peak EPM US Inc *	United States	Non-trading entity
Peak EPM Canada Inc *	Canada	Non-trading entity
Digital Detox Ventures Limited	UK	Non-trading entity
Whyaye Limited	UK	Non-trading entity

* Interest held indirectly.

All subsidiaries are wholly owned.

The registered addresses of the subsidiaries are:

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

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

United States entity: 108 West 13th Street, Wilmington, Delaware 19801, United States

Canadian entity: TD Tower, 77 Westmorland Street Suite 300, Fredericton, New Brunswick E3B6Z3, Canada

Notes to the financial statements

for the period ended 30 June 2023

13. Trade and other receivables

	30 June 2023 £k	Restated 1 July 2022 £k
Unbilled receivables	4,026	3,954
Client debtors	8,274	10,800
Amounts due from subsidiary undertakings	2,479	1,706
Amounts due from EY network entities	3,624	8,901
Prepayments	348	249
Other receivables	468	272
	<u>19,219</u>	<u>25,882</u>

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

	30 June 2023 £k	1 July 2022 £k
At beginning of period	233	26
New and additional provisions	132	207
Recoveries	(192)	–
Write offs	(1)	–
At end of period	<u>172</u>	<u>233</u>

14. Trade and other payables

	30 June 2023 £k	Restated 1 July 2022 £k
Trade payables	895	942
Accruals	7,479	5,050
Accrued payments for services	4,811	3,921
Social security and other taxes	3,042	4,038
Payments on account	3,484	5,552
Amounts due to subsidiary undertakings	9,294	5,657
Amounts due to ultimate parent entity	18,545	15,898
Amounts due to parent entity	1,022	1,325
Amounts due to fellow subsidiaries	2,701	2,714
Amounts due to other EY network entities	116	438
Other payables	531	1,596
	<u>51,920</u>	<u>47,131</u>

Notes to the financial statements

for the period ended 30 June 2023

15. Provisions

	2023 £k	2022 £k
At the beginning of the period	1,760	130
New	334	1,630
Paid	(582)	–
At the end of the period	1,512	1,760
Current	206	285
Non-current	1,306	1,475
At the end of the period	1,512	1,760

The current portion of the property provisions represent service charge and rates, and the non-current portion represents the provision for leasehold property dilapidations, expected to be utilised within 6 years.

16. Share capital and share premium

	30 June 2023 No.	30 June 2023 £k	1 July 2022 No.	1 July 2022 £k
<i>Share capital allotted, issued and fully paid</i>				
Ordinary shares of £0.01 each	2,547,855,409	25,479	229,953	2
	2,547,855,409	25,479	229,953	2

During the period, the share capital was increased by £25,477k by the issue of 2,547,625,456 ordinary shares of £0.01 each. The shares were issued to fund the purchase of Digital Detox and Whyaye (note 11). The difference between the total price paid for the shares of £29,374k and the total nominal value of the shares issued of £25,477k is recorded in share premium.

Each share carries one vote and has the right to receive dividends.

	30 June 2023 £k	1 July 2022 £k
<i>Share premium</i>		
At beginning of period	52,062	29,733
Cash paid on issue of shares in excess of increase in share capital	3,897	22,329
At the end of the period	55,959	52,062

The company's objective when managing capital is to safeguard its ability to continue as a going concern. Capital is monitored by the directors to ensure this objective is met. No long-term financing is required by the company.

Notes to the financial statements

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17. Leases

At the period end the company had entered into a non-cancellable commercial property leases with a remaining term of 6 years.

The carrying amounts of the lease liabilities and the movements during the current and preceding periods were as follows:

	30 June 2023 £k	1 July 2022 £k
At beginning of period	3,504	352
Acquisition	81	4,027
Remeasurements	–	(149)
Accretion of interest	44	47
Payments	(825)	(773)
At the end of the period	2,804	3,504
Current	684	771
Non-current	2,120	2,733
	2,804	3,504

The maturity analysis of lease liabilities is disclosed in note 18. The related right-of-use assets are disclosed in Note 10.

The company had total cash outflows for leases of £825k during the period (2022: £773k).

18. Financial instruments

Financial instruments give rise to credit, liquidity and foreign currency risks. The directors review and agree policies for managing these risks. Financial instruments are not used for speculative activity and complex financial instruments are avoided. Information about how these risks are managed is set out below:

Credit risk

Credit risk arises primarily from client debtors and unbilled receivables, other financial assets including cash and cash equivalents and other receivables.

The company 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 £233k (2022: £964k) aged between three and six months and £128k (2022: £239k) aged in excess of six months.

Cleared funds held at banks are monitored daily and surplus funds are placed on overnight deposits.

Liquidity risk

Liquidity risk arises from the company's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables and certain lease liabilities, all of which are payable within one year. The company aims to maintain a balance between continuity of funding and flexibility through balances with related parties. These balances are considered more than adequate to finance variations in forecast working capital.

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for the period ended 30 June 2023

18. Financial instruments (continued)

Liquidity risk (continued)

Lease liabilities, on an undiscounted basis, are repayable £686k (2022: £774k) within one year, £1,220k (2022: £1,264k) between one and two years, £975k (2022: £1,220k) between three and five years and £nil (2022: £407k) over 5 years.

Foreign currency risk

Although most of the company's income and expenses are denominated in sterling, foreign currency risk arises from transactions denominated in other currencies. However, this risk is not considered to be material.

19. Related parties

Transactions and balances with the company's related parties are as follows:

	<i>Income earned from related parties £k</i>	<i>Purchases from related parties £k</i>	<i>Amounts owed to / (by) related parties £k</i>
2023			
Ernst & Young LLP (ultimate parent)	29,106	8,347	18,545
Ernst & Young Services Limited (immediate parent)	–	–	1,022
Pythagoras Communications Holdings Limited	–	–	3,609
Lane 4 Management Group Limited	–	–	2,645
Lane 4 Management Group Holdings Limited	–	–	(1,505)
Seaton Partners Limited	–	–	128
Peak EPM Limited	–	–	2,912
Peak EPM Canada Inc.	–	–	(100)
Digital Detox Ventures Limited	–	–	(680)
Whyaye Limited	–	–	(194)
EY Private Client Services Limited (formerly Frank Hirth Limited)	–	–	2,701
EY-Seren Limited	–	–	(1)
	<i>Income earned from related parties £k</i>	<i>Purchases from related parties £k</i>	<i>Amounts owed to / (by) related parties £k</i>
2022			
Ernst & Young LLP (ultimate parent)	16,121	25,962	15,898
Ernst & Young Services Limited (immediate parent)	–	2,821	1,325
Pythagoras Communications Holdings Limited	–	–	3,374
Lane 4 Management Group Limited	–	–	2,068
Peak EPM Canada Inc.	–	–	(101)
Lane 4 Management Group Holdings Limited	–	–	(1,505)
Seaton Partners Limited	–	–	(100)
Peak EPM Limited	–	–	215
EY Private Client Services Limited (formerly Frank Hirth Limited)	–	–	2,701
EY-Seren Limited	–	–	13

Notes to the financial statements

for the period ended 30 June 2023

19. Related parties (continued)

Unless otherwise stated, all receivable balances with related parties are non-interest bearing and payable on demand. No bad debt expense was recognised in the period in respect of related parties.

Key management personnel comprises the directors of the company, directors of its immediate parent entity Ernst & Young Services Limited and the Board of its ultimate parent entity Ernst & Young LLP. Compensation paid to key management personnel was £nil (2022: £nil). There were no other transactions with key management personnel. Except as disclosed above and elsewhere in the financial statements, there are no other related party transactions.

20. Ultimate parent undertaking

The company's immediate parent undertaking is Ernst & Young Services Limited, a company registered in England and Wales. The company's ultimate parent undertaking and controlling party is Ernst & Young LLP. Ernst & Young LLP is the parent undertaking of the smallest and largest group that consolidates these financial statements, copies of which are available from its registered office, 1 More London Place, London, SE1 2AF.