

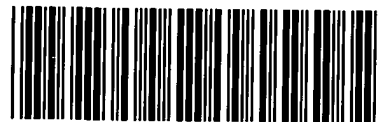
# EY-Seren Limited

## Annual Reports and Financial Statements

30 June 2023

*Company number 04151569*

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11/01/2024

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COMPANIES HOUSE

**Directors**

L G Buchanan  
D J Gittleson  
C Haines  
P B Neufeld  
S Orr  
P J Sparkes  
M Von der Geest

**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 comparative period being the period from 3 July 2021 to 1 July 2022).

### Principal activity and review of business

The principal activity of the company is the provision of digital interface usability consultancy services to enhance the effectiveness of digital media such as software and websites.

The key performance indicator during the period was as follows:

	2023	2022
Fee income	£36,837k	£32,561k

Fee income has increased by 13% compared to the previous period, reflecting strong performance in the first half of the year, particularly within the Financial Services and Government sectors. The continuation of a number of large, multi-year engagements and the addition of several new accounts also contributed to revenue growth. Marketing investment in building communities of economic buyers and specifiers in Design and Innovation leadership continues to be a strategic differentiator in the competitive landscape, as well as tighter connection into Technology Consulting continuing to be a strategic priority for growth.

### Future developments

The directors consider that the demand for the provision of the company's consultancy services will continue in the future.

### Principal risks and uncertainties

The principal risk facing the company relates to the current challenging market conditions. The directors manage this risk well through continuous pipeline evaluation, and through creating attractive commercial offerings for the company's clients.

The policies for managing the risks relating to cash flows and financial instruments are set out in note 15.

### Going concern

EY-Seren Limited pro-actively manages its operating cash flows to ensure that all repayment and funding needs are met. EY-Seren Limited continues to manage both operational and business risks well.

The directors are closely monitoring the ongoing impact of the current macro-economic environment. They have performed a going concern assessment and sensitivity analysis under multiple scenarios, including a decline in revenue and collection days, and have performed a detailed review of the cash flow forecast until March 2025. They have also considered what mitigations could be put in place if required such as reducing discretionary spend, pausing recruitment or a reduction or delay in staff bonuses.

The directors believe EY-Seren Limited has sufficient cash flows and is well placed to manage the risks and uncertainties arising in the current macro-economic environment. Under some scenarios modelled, additional funding would be required. The ultimate parent entity, Ernst & Young LLP ("EY LLP") has confirmed in a letter of support to the directors of the company that it is committed to providing funding if required.

The directors have concluded that it is appropriate to adopt the going concern basis having considered the support that can be provided by EY LLP. The directors have considered a base case forecast with multiple sensitivities through to December 2024, prepared by EY LLP, which focus on the impact of a range of declines in revenue, cash collection rates and increased costs. The forecasts include severe but plausible scenarios and the resulting impact on the firm's cash flows, borrowing facilities and associated covenants has then been considered, including reverse stress testing. EY LLP has committed borrowing facilities of £438m. In addition to the committed facilities, the Designated Members of EY LLP are confident that additional uncommitted facilities of £35m will be obtained in the short term. The scenarios indicate that EY LLP has sufficient facilities in place and no other mitigating actions will be required.

## Strategic report

### Going concern (continued)

Accordingly, the directors have a reasonable expectation 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 EY LLP, and 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.

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 organisation (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. The company is generally cognisant of all of the above, as the majority of its directors are also members of EY LLP, and receive, in various capacities, 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 activity, the company's directors consider that the company's key stakeholders are the company's employees, its clients and EY LLP.

During the period ending 30 June 2023, 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 made the principal decision to make dividend payments out of distributable profits during the period.

On behalf of the Board



L G Buchanan

Director

Date: 11 December 2023

## Directors' report

The directors present their report and financial statements 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).

### Results and dividends

The profit for the period after taxation amounted to £4,654k (2022: £5,473k).

A dividend of £5,000k was declared and paid during the period (2022: £6,500k).

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

### Financial instruments

The directors are responsible for setting objectives and policies in relation to financial instruments, details of which can be found in note 15.

### Directors

The directors who held office during the period ended 30 June 2023 and the period up until approval of the financial statements are listed on page 1.

### Energy and carbon report

The company has not prepared its own energy and carbon report as it has been included in the group report prepared by its ultimate parent undertaking, Ernst & Young LLP.

### Auditor

Having made enquiries of fellow directors and of the company's auditor, each person who is a director at the date of approving this annual report confirms that:

- To the best of each directors' 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
- Each director has 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.

On behalf of the Board



L G Buchanan  
Director

Date: 11 December 2023

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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 or loss of the company for that period.

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

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

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

## **Independent auditor's report**

**to the shareholder of EY-Seren 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 profit 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 Seren Limited ("the Company") for the 12 month period ended 30 June 2023 which comprise the Statement of comprehensive income, the Statement of changes in equity, the Balance sheet, the Statement of cash flows 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-Seren 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-Seren 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 accounting for lease liabilities.

#### 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-Seren 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 finalized 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.

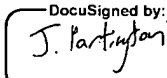
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, 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*  
*55 Baker Street*  
*London*  
*W1U 7EU*

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

		2023	Restated 2022
	Notes	£k	£k
<b>Fee income</b>		36,837	32,561
Expenses billed to clients		(5,893)	(5,843)
<b>Net revenue</b>		30,944	26,718
Operating expenses	3	(9,712)	(8,452)
Staff costs	4	(15,641)	(11,347)
Depreciation		(7)	(167)
<b>Operating profit</b>		5,584	6,752
Finance income		300	50
Finance costs		(25)	(25)
<b>Profit before taxation</b>		5,859	6,777
Tax charge	6	(1,205)	(1,304)
<b>Profit and total comprehensive income for the period</b>		4,654	5,473

## Statement of changes in equity

for the period ended 30 June 2023

	Share capital £k	Retained earnings £k	Total £k
At 2 July 2021	1	8,762	8,763
Dividends paid	–	(6,500)	(6,500)
Profit and total comprehensive income for the period	–	5,473	5,473
At 1 July 2022	1	7,735	7,736
Dividends paid	–	(5,000)	(5,000)
Profit and total comprehensive income for the period	–	4,654	4,654
At 30 June 2023	1	7,389	7,390

The notes on pages 13 to 24 form part of these financial statements.

**Balance sheet**

at 30 June 2023

Company number 04151569

		30 June 2023	1 July 2022
	Notes	£k	£k
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	7	4	11
Lease receivables	9	519	757
Loan receivable	10	–	4,557
Deferred tax	6	21	42
		<u>544</u>	<u>5,367</u>
<b>Current assets</b>			
Trade and other receivables	11	5,365	3,875
Loan receivable	10	4,756	–
Lease receivables	9	333	270
Cash and bank balances		2,702	13,465
		<u>13,156</u>	<u>17,610</u>
<b>Total assets</b>		<u>13,700</u>	<u>22,977</u>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	4,881	13,309
Lease liability	9	348	347
Corporation tax payable		330	500
		<u>5,559</u>	<u>14,156</u>
<b>Non-current liabilities</b>			
Lease liability	9	509	843
Provisions	13	242	242
Preference shares	14	–	–
		<u>751</u>	<u>1,085</u>
<b>Total liabilities</b>		<u>6,310</u>	<u>15,241</u>
<b>Equity</b>			
Share capital	14	1	1
Retained earnings		7,389	7,735
<b>Total equity</b>		<u>7,390</u>	<u>7,736</u>
<b>Total equity and liabilities</b>		<u>13,700</u>	<u>22,977</u>

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



L G Buchanan

Director

Date: 11 December 2023

The notes on pages 13 to 24 form part of these financial statements.

## Statement of cash flows

for the period ended 30 June 2023

	2023	2022
	£k	£k
<b>Operating activities</b>		
Profit before tax	5,859	6,777
Adjusted for:		
Depreciation	7	167
Gain on derecognition of right-of-use asset	–	(152)
Net foreign exchange losses	(1)	(15)
Net finance income	(275)	(25)
Increase in trade and other receivables	(1,490)	(1,339)
(Decrease)/increase in trade and other payables	(8,436)	5,408
Decrease in provisions	–	(20)
	(4,336)	10,801
Corporation tax paid	(1,354)	(1,411)
<b>Net cash (outflows)/inflows from operating activities</b>	<b>(5,690)</b>	<b>9,390</b>
<b>Investing activities</b>		
Interest received	90	–
Finance lease income	186	–
<b>Net cash inflows from investing activities</b>	<b>276</b>	<b>–</b>
<b>Financing activities</b>		
Payment of lease liability	(350)	(349)
Dividends paid	(5,000)	(6,500)
<b>Net cash outflows from financing activities</b>	<b>(5,350)</b>	<b>(6,849)</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(10,764)</b>	<b>2,541</b>
Net foreign exchange differences	1	15
<b>Cash and cash equivalents at beginning of period</b>	<b>13,465</b>	<b>10,909</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,702</b>	<b>13,465</b>

The notes on pages 13 to 24 form part of these financial statements.

## Notes to the financial statements

at 30 June 2023

### 1. Corporate information

EY-Seren Limited, the “company”, is a private company limited by shares, incorporated, domiciled and registered in England and Wales (registered number 04151569). The company’s registered office address is 1 More London Place, London, SE1 2AF.

### 2. Accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with UK adopted international accounting standards (“IFRS”). The principal accounting policies are summarised below and have been applied consistently throughout the period and the preceding period unless otherwise stated.

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 financial statements have been prepared on a going concern basis. The directors have concluded that it is appropriate to adopt the going concern basis having considered multiple forecasts and models, covering a period of at least twelve months from the date of signing the financial statements. 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. Further details of this assessment can be found within the Directors’ 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).

#### Restatement

The profit and loss account comparatives have been restated to reflect a retrospective change in the classification of external contractor costs. The impact of the reclassification is an increase in expenses billed to clients of £3,982k, a decrease in staff costs of £1,040k and a decrease in operating expenses of £2,942k. The change has been made in order to provide more reliable and relevant financial information. There is no impact on the balance sheet or cash flow 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.

#### Estimates

- Revenue recognition – estimating the costs to complete and the value of unsatisfied/partially satisfied performance obligations (page 14)

#### Foreign currencies

Transactions denominated in currencies other than the 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 recognition

Fee income represents the amounts arising from the supply of advisory services which fall within the continuing ordinary activities of the company. Revenue is recognised when control of services are 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 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.

## Notes to the financial statements

at 30 June 2023

### 2. Accounting policies (continued)

#### Revenue recognition (continued)

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 client.

When recognising revenue over time, the company 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 company considers this to be the best measure of how services are transferred to clients over time.

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.

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 £15m (2022: £3m) of which £8m (2022: £2m) 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 11 and 12 respectively. Revenue recognised in the current year in respect of performance obligations satisfied, or partially satisfied, in previous years amounted to £1,242k (2022: £697k), and includes revisions to such estimates.

#### **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**

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

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised and lease payments made at or before the commencement date. The right-of-use asset is depreciated on a straight-line basis over the lease term.

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

## Notes to the financial statements

at 30 June 2023

### 2. Accounting policies (continued)

#### Leases (continued)

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

In case of a sub-lease, where substantially all of the risks and rewards have been transferred to the lessor, the right-of-use asset relating to the head lease is derecognised and a net investment of the total receivable amounts is recognised. The present value is determined using the company's incremental borrowing rate (IBR) as the interest rate implicit in leases is not readily determinable.

The finance income over the lease term is calculated based on the same pattern as the finance expense of the lease liabilities.

#### Pensions

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.

#### 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 is 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 firm 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.



## Notes to the financial statements

at 30 June 2023

### 2. Accounting policies (continued)

#### Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation 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 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 lesser of lease period and 12 years
Computer equipment	–	3 years
Furniture and other equipment	–	3 years

An item of plant and equipment 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 methods of assets are reviewed, and adjusted if appropriate, at each financial period end.

The carrying value of plant and equipment is reviewed annually for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount of an asset is higher than its recoverable amount, an impairment loss is recognised in the income statement.

#### 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.

#### 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.

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.

#### 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

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.

#### Loans and receivables

Loans receivable are carried at amortised cost using the effective interest method if the time value of money is significant.

#### Trade and other payables

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks that are readily convertible to known amounts of cash.

For the purpose of the statement of cash flows, cash and cash equivalents are as defined above.

## Notes to the financial statements

at 30 June 2023

### 2. Accounting policies (continued)

#### 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.

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

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

#### 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, none of which are expected to have a material impact on the financial statements.

### 3. Operating expenses

Included within operating expenses are the following items:

	2023	2022
	£k	£k
Foreign exchange (gains)/losses	(76)	8

Fees payable to the company's auditor for the audit of the financial statements of the company were £55k (2022: £51k). No other services were provided by the auditor in the current or previous period.

### 4. Staff costs

The aggregate employment costs of staff were:

	2023	Restated 2022
	£k	£k
Salaries and benefits	13,414	9,823
Social security costs	1,557	1,051
Defined contribution pension costs	670	473
	<u>15,641</u>	<u>11,347</u>

The average number of staff (excluding directors) during the period was 163 (2022: 119).

### 5. Directors' remuneration

The directors of EY-Seren Limited received £nil (2022: £nil) remuneration for their services as directors or their services in connection with the management of the company. All directors are partners of the ultimate parent entity, Ernst & Young LLP.

## Notes to the financial statements

at 30 June 2023

### 6. Tax

#### a) Tax on profit

	2023 £k	2022 £k
<i>Current tax:</i>		
UK corporation tax arising on profits in the period	1,200	1,310
Adjustments in respect of prior periods	(16)	30
Total current income tax	1,184	1,340
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	8	(3)
Effects of change in tax rate	(4)	(3)
Adjustments in respect of previous periods	17	(30)
Total deferred tax	21	(36)
Total tax charge in the income statement	1,205	1,304

#### b) Reconciliation of total tax charge

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

	2023 £k	2022 £k
Profit before tax	5,859	6,777
Profit multiplied by rate of corporation tax in the UK of 20.5% (2022: 19%)	1,201	1,288
<i>Effects of:</i>		
Expenses not deductible for tax purpose	7	19
Adjustments in respect of previous periods	1	—
Effect of change in tax rate	(4)	(3)
Total tax charge reported in the income statement	1,205	1,304

#### c) Deferred tax

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

	2023 £k	2022 £k
Accelerated capital allowances	13	10
Deferred pension contributions	(34)	(52)
	(21)	(42)

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

	2023 £k	2022 £k
Increase in accelerated capital allowances	3	1
Deferred pension contributions	18	(37)
	21	(36)

## Notes to the financial statements

at 30 June 2023

### 7. Plant and equipment

<i>30 June 2023</i>	<i>Leasehold improvements £k</i>	<i>Computer equipment £k</i>	<i>Furniture and other equipment £k</i>	<i>Total £k</i>
Cost:				
At 1 July 2022	1,203	562	296	2,061
Disposal	–	–	(296)	(296)
At 30 June 2023	1,203	562	–	1,765
Depreciation:				
At 1 July 2022	1,203	551	296	2,050
Charge for the period	–	7	–	7
Disposal	–	–	(296)	(296)
At 30 June 2023	1,203	558	–	1,761
Net book value:				
At 30 June 2023	–	4	–	4
<i>1 July 2022</i>	<i>Short leasehold improvements £k</i>	<i>Computer equipment £k</i>	<i>Furniture and other equipment £k</i>	<i>Total £k</i>
Cost:				
At 2 July 2021	1,203	562	296	2,061
At 1 July 2022	1,203	562	296	2,061
Depreciation:				
At 2 July 2021	1,103	542	296	1,941
Charge for the period	100	9	–	109
At 1 July 2022	1,203	551	296	2,050
Net book value:				
At 1 July 2022	–	11	–	11

## Notes to the financial statements

at 30 June 2023

### 8. Right-of-use asset

<i>Properties</i>	2023 £k	2022 £k
Cost:		
At 1 July 2022	–	2,172
Disposal	–	(2,172)
At 30 June 2023	–	–
Depreciation and impairment:		
At 1 July 2022	–	1,239
Depreciation charge for the period	–	58
Disposal	–	(1,297)
At 30 June 2023	–	–
Net book value	–	–

### 9. Leases

The company has a non-cancellable commercial property lease with a remaining term of 3 years (2022: 4 years). The carrying amounts of lease liabilities and receivables and the movements during the period were as follows:

<i>Lease liabilities</i>	2023 £k	2022 £k
At the beginning of the period	1,190	1,517
Accretion of interest	17	22
Payments	(350)	(349)
At the end of the period	857	1,190
Current	348	347
Non-current	509	843
	857	1,190
<i>Lease receivable</i>	2023 £k	2022 £k
At the beginning of the period	1,027	–
Additions	–	1,027
Receipts	(186)	–
Accretion of interest	11	–
At the end of the period	852	1,027
Current	333	270
Non-current	519	757
Net investment in the lease	852	1,027

## Notes to the financial statements

at 30 June 2023

### 10. Loan receivable

	2023 £k	2022 £k
Loan to EY Private Client Services Limited (formerly EY Frank Hirth Limited)	4,756	4,557
Current	4,756	–
Non-current	–	4,557
	4,756	4,557

The loan issued to EY Private Client Services Limited is a £4,500k fixed term loan together with accrued interest of £256k (2022: £57k). The loan accrues interest at 1% (2022: 1%) above Bank of England base rate and is repayable three years after the initial drawdown.

### 11. Trade and other receivables

	2023 £k	2022 £k
Unbilled receivables	2,085	593
Client receivables	1,097	218
Amounts due from EY network entities	767	355
Amounts due from ultimate parent entity	1,381	2,245
Other receivables	35	366
Prepayments	–	98
	5,365	3,875

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

	2023 £k	2022 £k
At beginning of period	67	1,717
Write-off	(67)	(1,650)
At end of period	–	67

## Notes to the financial statements

at 30 June 2023

### 12. Trade and other payables

	2023	2022
	£k	£k
Trade and other payables	1,657	1,181
Social security and other taxes	405	391
Payments on account	910	1,755
Other accruals	893	364
Amounts due to EY network entities	347	1,659
Amounts due to related parties (excluding parent entity)	–	7,290
Amount due to parent entity	669	669
	<u>4,881</u>	<u>13,309</u>

### 13. Provisions

	2023	2022
	£k	£k
At the beginning of the period	242	262
Released	–	(20)
At the end of the period	<u>242</u>	<u>242</u>

The property provision represents the provision for leasehold property dilapidations, expected to be utilised within 3 years.

### 14. Share capital

	2023	2023	2022	2022
	No.	£k	No.	£k
<i>Authorised, issued and fully paid</i>				
“A” Preference shares treated as liability of £0.01 each	33,000	–	33,000	–
“B” Ordinary shares treated as equity of £0.01 each	59,500	1	59,500	1

The “A” preference shares were subscribed for a total of £330 and the Articles provide that on a return of capital, the full subscription price of these shares are repaid in priority. Repayment can be requested at any time by the holders of the preference shares, subject to this being permissible under the Companies Act. Apart from and subject to this priority the preference shareholders rank *pari passu* with the “B” ordinary shares. Each share carries one vote and has the right to receive dividends. The “B” ordinary shares were subscribed for a total of £595. Each share carries one vote and has the right to receive dividends *pari passu* with the “A” preference shares.

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

at 30 June 2023

### 15. Financial instruments

Financial instruments give rise to liquidity, credit and foreign currency risks. The directors are responsible for setting objectives and maintaining policies to manage 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:

#### **Liquidity risk**

Liquidity risk arises from the company's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables, all of which are payable within one year.

The lease liability is repayable £350k (2022: £350k) within one year, £524k (2022: £699k) between one and three years and nil (2022: £175k) between three and five years.

#### **Credit risk**

Credit risk arises primarily from loans receivable which are assessed for impairment based on the level of risk of non-repayment. At the end of the period, the company had a £4,756k (2022: £4,557k) loan receivable related to a fixed term loan to its related party, EY Private Client Services Limited, repayable in May 2024. The balance included accrued interest of £256k (2022: £57k).

The company trades with only a small number of parties, who are not considered to represent a significant credit risk. Receivable balances are monitored and collected on an ongoing basis and as a result exposure to bad debts is not significant. Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable on presentation. The client debtors balance represents invoices issued less than three months before the period end.

#### **Foreign currency risk**

Although the majority 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.

### 16. Related parties

Transactions and balances with related parties were as follows:

	<i>Income earned from related parties £k</i>	<i>Purchases from related parties £k</i>	<i>Amounts owed by / (to) related parties £k</i>	<i>Loan receivables from related parties £k</i>
<b>2023</b>				
Ernst & Young LLP (ultimate parent)	16,082	(10,193)	1,381	–
Foviance Group Limited (parent)	–	–	(669)	–
EY Private Client Services Limited (fellow subsidiary)	–	–	–	4,756
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	<i>Income earned from related parties £k</i>	<i>Purchases from related parties £</i>	<i>Amounts owed by / (to) related parties £</i>	<i>Loan receivables from related parties £</i>
<b>2022</b>				
Ernst & Young LLP (ultimate parent)	12,703	(10,736)	(4,415)	–
Foviance Group Limited (parent)	–	–	(669)	–
Ernst & Young Services Limited (fellow subsidiary)	–	(1,074)	(630)	–
EY Private Client Services Limited (fellow subsidiary)	–	–	–	4,557
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



## Notes to the financial statements

at 30 June 2023

### 16. Related parties (continued)

All balances with group undertakings are non-interest bearing and payable on demand except for the loan to EY Private Client Services Limited which carries interest at 1% above the Bank of England base rate.

Key management personnel comprises the directors of the company, directors of its immediate parent entity Foviance Group 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.

### 17. Ultimate controlling party

The company's immediate parent undertaking is Foviance Group 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.