

Integrated Annual Review 2011/2012

Ernst & Young Nederland LLP



ERNST & YOUNG
Quality In Everything We Do

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About this report



Scope of this report

This is the first integrated annual report to be published by Ernst & Young in the Netherlands. It relates to the fiscal year ended June 30, 2012. This integrated report contains the report of the Board and the financial statements and is intended to inform stakeholders of the relevant aspects of Ernst & Young's operating, financial and sustainability performance in the Netherlands.

This report concerns the activities carried out in the Netherlands by the entities Ernst & Young Accountants LLP, Ernst & Young Belastingadviseurs LLP, Ernst & Young Actuarissen B.V., Ernst & Young CertifyPoint B.V., Ernst & Young VAT Rep B.V. and Stichting Ernst & Young Foundation. Ernst & Young Nederland LLP is the coordinating and facilitating entity of the Dutch Ernst & Young organization but does not provide any services to clients. Ernst & Young Belastingadviseurs LLP has a strategic alliance with Holland Van Gijzen Advocaten en Notarissen LLP. Holland Van Gijzen accordingly falls within the scope of this report.

The internal Corporate Responsibility Steering Committee (CRSC) mapped all relevant stakeholders and identified the most significant issues, which resulted in our 4 Corporate Responsibility (CR) aspects (see page 47). For each corporate responsibility aspect one or more Key Performance Indicators (KPIs) were established accordingly; eight KPIs in total.

All KPI's are subject of structural discussion within our CRSC and are measured and managed on a quarterly basis. By and large we mean to have touched upon all important procedures to come to a sufficient materiality analysis. Next year, in the light of GRI-G4 we aim to further improve our materiality assessment and make it an integral part of our annual integrated reporting process.

In addition to this report, Ernst & Young Accountants LLP publishes a Transparency Report. This is a statutory requirement for firms auditing the financial statements of public interest entities. The main topics included in the Transparency Report are governance, quality (policy and assurance), independence and remuneration policy.

Reporting standards and data compilation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union. The report on non-financial aspects has been compiled on the basis of third generation the Global Reporting Initiative (G3.1) guidelines. We report in accordance with GRI A+ level. The subjects presented are consistent with our corporate responsibility (CR) policy and are based on a materiality analysis.

About this report

As a global organization, Ernst & Young has endorsed the Global Compact principles established by the United Nations (UN).

The UN initiative aims to mobilize the business community to adopt best practices in four areas: human rights, labor relations, the environment and combating corruption.

Financial and non-financial information is derived from a variety of sources. Where possible, it is taken from existing systems and supplemented with information provided by the line managers responsible for the subject concerned. The CO₂ footprint has been calculated using the Greenhouse Gas Protocol of WRI/WBCSD. Ernst & Young in the Netherlands uses foreign datacenters. Since the impact of this outsourced activity cannot be allocated accurately to Ernst & Young in the Netherlands, it is not included in energy consumption and CO₂ emission calculations.

Assurance

The annual financial statements have been independently audited by BDO.

The auditor's report is presented on page 81. The non-financial information on pages 46 to 65 was audited internally by the Climate Change and Sustainability Services (CCaSS) team, with assurance being provided externally by BDO.

The assurance report is presented on page 197-198.

XBRL

The integrated annual review and the annual financial statements will also be available in XBRL format. Further information on Ernst & Young and its performance can be viewed online at www.ey.nl

Profile

Ernst & Young is a global multidisciplinary provider of assurance, tax, advisory and transaction advisory services. Legal and notarial services are offered in the Netherlands through a strategic alliance between Ernst & Young Belastingadviseurs LLP and Holland Van Gijzen Advocaten en Notarissen LLP. Our professionals translate the challenges facing our clients into services that provide solutions and helps to improve their performance. Corporate responsibility is an integral part of our day-to-day practice. We wish to contribute to the sustainable performance of our clients and our own organization and to an economic climate in which sustainable value creation comes first.

In this light, we focus on:

- ▶ Entrepreneurship: adding value to the marketplace and supporting sustainable growth business-models
- ▶ Employees: good employment practices
- ▶ Environment: reducing the ecological footprint
- ▶ Community Engagement: sharing know-how and skills with society

Ernst & Young's history in the Netherlands dates back to 1883, making it the oldest firm in its profession in the country.



Relevancy

Our role is to build trust and confidence between economic actors and support organizations in their entrepreneurship. This role includes not only financial aspects of business performance, but also social and environmental aspects.

Reliable information is key to the proper performance of the economic markets and safeguarding the public interest. We bear responsibility for good financial and non-financial information by actively contributing to the formulation of rules and standards within the relevant disciplines. We actively participate our part in the development of our profession by participating in influential policy bodies and think tanks. Thought leadership is an essential aspect of our social function: it benefits not only our own business but also the sector, our clients and society as a whole. Through education and research we also develop and share our knowledge nationally and internationally.

Quality

Quality is at the top of our agenda and we continuously seek improvement. Alongside the quality of our services, transparency, reliability and independence underpin the good relationships we enjoy with our stakeholders. We seek long-lasting, honest and respectful relationships with our internal and external stakeholders and set great store in open dialog. More information can be found in our Transparency Report.

Profile

Our people

In a knowledge organization such as ours, it is people, their professionalism, personality, competences, values and integrity, that determine the quality of our services. We attach great importance to good employment practices, which we believe are essential to attract and retain staff with the appropriate skills. We give priority to professional and personal development, diversity, employment conditions and employee engagement. We also encourage international mobility to enable people to achieve their potential. During the fiscal year 2011/2012 Ernst & Young in the Netherlands employed 3,579 people and had 232 partners. Ernst & Young has 15 offices located throughout the Netherlands.

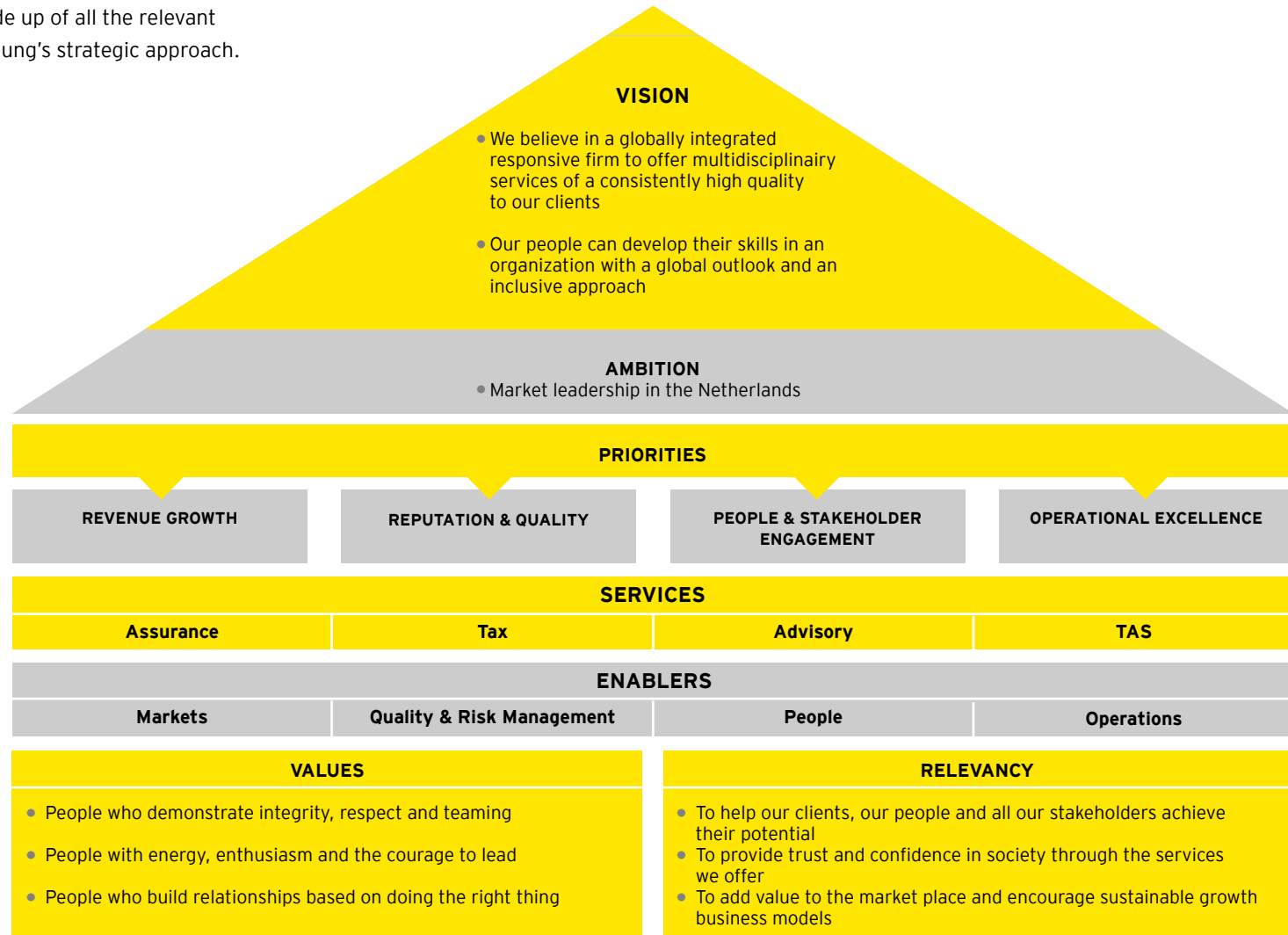
Strong global organization

We are part of a strong global organization. To efficiently and effectively meet our clients' demands for multidisciplinary services of the same recognizable quality everywhere in the world, Ernst & Young has a highly integrated global organization. Decision lines are very short and we are able to bundle exceptional knowledge and experience efficiently and select international teams that meet the clients' needs promptly.

Ernst & Young is organized into four geographical areas: Americas, EMEIA (Europe, Middle East, India and Africa), Asia-Pacific and Japan. Ernst & Young's activities in the Netherlands are a geographical part of the EMEIA organization, consisting of 93 countries divided into 11 geographical sub areas and the Financial Services sub area, which facilitates all services provided to the financial sector. Together with Belgium, the Netherlands forms the "BeNe" sub area, which combines services to the non-financial sectors or markets of the Belgian and Netherlands member firms. This report concerns the activities carried out in the Netherlands.

Ernst & Young - strategic building

Our strategic building is made up of all the relevant building blocks of Ernst & Young's strategic approach.



Stakeholder engagement

Ernst & Young wants to maintain a constructive dialog with its stakeholders. In a spirit of transparency, it shares thoughts and positions, gains an insight into trends and underlying factors, and solves problems.

Stakeholder group	Focus areas	Approach to stakeholder engagement	Frequency	Key topics that have been raised through stakeholder engagement	Answers to topics raised
Clients	Service offerings for every stage of a company's lifecycle Entrepreneurship	Client relationship Roundtables White paper Seminars Surveys	Ongoing	Implications current economy on entrepreneurship (e.g. restructuring, financing, investment opportunities, risk management) Separation audit and advisory services and audit rotation	Service offerings (e.g. performance improvement programs, enterprise intelligence, risk management support) Improved communication by auditor on audit findings Further investment in audit quality and independence
Users of financial and sustainability reporting	Quality of information Communication Integrated Reporting Enhancing trust through assurance	Engagement through participation in national and international accounting institutes (IFAC, FEE, NBA) Engagement through participation in debates organized by accounting standards boards (IASB, GRI, IIRC)	Ongoing	Quality of information Communication Integrated Reporting	Standards & guidelines to improve quality of financial and sustainability reporting Brochures to inform users on latest developments Participation in IIRC Pilot Program
Employees	Learning & Development Diversity & Inclusiveness Vitality Employee Engagement	Works council CR Get Together Survey	8 times a year Annually Every 2 years	Workplace of the future Female participation in management Upcoming regulations CR must continuously be integrated into our services Staff well-being	Flexible working pilots Women leadership programs Addressing regulatory implications for workforce New and updated CR activities Vitality program
Potential employees	Employer of choice	EY employees LinkedIn networks Recruitment of trainees, students, starters, and professionals	Ongoing	Career possibilities at EY Employee benefits EY's values EY as international organization	Active communications about working at EY Business courses and other activities at universities Sponsoring of student unions Advertisements about career possibilities on our website and social media and in accounting magazines

Stakeholder engagement

Stakeholder group	Focus areas	Approach to stakeholder engagement	Frequency	Key topics that have been raised through stakeholder engagement	Answers to topics raised
Suppliers	Sustainable procurement	Day-to-day practice	Ongoing	Responsible procurement	Having our most important suppliers commit to and sign our Procurement Policy
Financial stakeholders	Cash management Relationship	Partner meetings & calls Provision of financial data	Ongoing	Finance strategy Financial performance Independence	Enhance the spirit of partnership and the implantation of the working capital policy Negotiate repayment scheme
Regulators, legislators, politicians & authorities	Culture change Quality & Transparency Thought leadership	Public debate (bilateral) Roundtables White paper	Ongoing	Auditor's role in society Separation between audit and advisory services Audit rotation	Stronger communication between board and auditors Enhance reporting by board to stakeholders Transparency report Improve communication by auditors with society at large
Universities	Education & research	Provide resources and knowledge Monitor curriculum	Ongoing	High quality business/entrepreneurial education	Hold professorships Publish articles
Society in general	CO ₂ emission reduction Knowledge and skill sharing Commitment to social projects that enhance the climate for sports	Partnerships with non-profit organizations	Ongoing	Sustainable entrepreneurship needed to improve economic, social and environmental conditions Transition to a more sustainable society Sports as an example for leadership, teaming and shared value creation	Further investment in research and education to support entrepreneurship EY'ers share knowledge and expertise with (young) entrepreneurs in developing countries on a voluntary basis Sustainability Day Support sustainable projects by providing strategic advice and expertise

Key figures⁽¹⁾

(€ 000)

Combined Statement of Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP

FINANCE

Revenue

Fee income from rendering services

Other income

Fee income by Service Line

Assurance

Tax

Advisory

Transaction Advisory Services

Fee income per FTE

Financial results

Operating profit

Profit for the fiscal year

Income available for distribution

Average partner income

PEOPLE

Average number of FTE staff and partners

Client serving staff

Support staff

Total staff

Partners

ENVIRONMENT

Emissions (tCO₂)

Car travel

Air travel

Train travel

Total travel

Paper usage

Waste

Office energy consumption

2011/2012

Δ

2010/2011

Δ

2009/2010

Δ

2008/2009

634,768

0%

636,134

-2%

651,894

-6%

691,761

24,142

26%

19,228

25%

15,375

459%

2,749

658,910

1%

655,362

-2%

667,269

-4%

694,510

288,231

-2%

293,485

-5%

308,798

-4%

322,707

229,195

-2%

233,914

1%

231,274

-3%

237,292

83,528

11%

75,336

-9%

82,347

-18%

100,774

33,814

1%

33,399

13%

29,475

-5%

30,988

634,768

0%

636,134

-2%

651,894

-6%

691,761

167

-2%

170

1%

169

0%

169

124,943

-16%

148,480

-8%

161,459

-2%

164,679

112,841

-12%

128,091

-10%

142,059

-4%

148,274

91,507

-19%

112,519

-8%

122,207

-2%

125,178

394

-18%

481

-6%

513

-2%

524

2,748

5%

2,630

0%

2,641

0%

2,638

831

-5%

875

-11%

981

-19%

1,215

3,579

2%

3,505

-3%

3,622

-6%

3,853

232

-1%

234

-2%

238

0%

239

3,811

2%

3,739

-3%

3,860

-6%

4,092

12,699

-4%

13,222

-4%

13,837

-6%

14,713

2,459

-15%

2,888

33%

2,167

9%

1,997

98

11%

88

1%

87

-25%

116

15,256

-6%

16,198

1%

16,091

-4%

16,826

143

-1%

144

-11%

161

-13%

184

384

-

n/a

-

n/a

-

n/a

2,627

-26%

3,529

-38%

5,700

-31%

8,306

18,410

-7%

19,871

-9%

21,952

-13%

25,316

1) Discontinued operations have been eliminated. Reference is made to the appendix of the financial statements.

Financial figures are presented as from the fiscal year 2008/2009 as Ernst & Young Nederland LLP became a member of the EMEIA area in that year.

Report of the Board

Letter from the Managing Partner

The fiscal year 2011/2012 was a turbulent year for our sector. The public debate of the audit profession continued to rage and measures and laws were proposed at European and national level that would leave a profound mark on our organization. Furthermore, we had to work in a difficult market in which our clients were hit by both the economic downturn in the Netherlands and the euro/debt crisis in Europe. All these developments had a deep impact on our profitability. But I am pleased that we have been able to slightly increase our revenues compared to last year. This says a lot about the quality of our client relationships.

Listen and learn

Throughout all these changes, it is important to remain in dialog with our stakeholders. We listened to what our clients said and thought about us. We know what regulators say and think about us. We know what the politicians are proposing to us. Our motto is not “speak, persuade and act” but “listen and learn”.

We held many talks during the year with supervisors, public authorities, knowledge institutions, regulators, our professional bodies, civil society organizations and, of course, our clients. We engaged in the talks very purposefully. We also played an active role in the public debate. We want to know what is going on in the market, what issues are important,

and where the problems lie. Through active dialog, we gain an insight into specific challenges and seek concrete solutions. But we go a step further. We deliberately participate in the debate, directly and indirectly.

Adapt and improve

By itself, listening and learning is not enough. We also have to adapt and - more importantly - improve. Only then can we go a step further. If economic conditions are challenging - and they certainly have been for the past three years - and if the market changes, we will find a new equilibrium by using the agility of our organization.

Our role in society must be clear. We have to focus even more sharply on the quality of our way of working, take a professional and critical approach and, above all, communicate clearly. We again invested a great deal in these ambitions during the fiscal year. Examples include our Culture Change program at Assurance, the client service program at Tax and the capital agenda program at Transaction Advisory Services.

Our profession is constantly expanding and innovating to fulfill the clients' needs. In my vision, our profession embraces every activity that fosters good entrepreneurship. We want all our disciplines to engage with our clients, across the board and in every phase of the entrepreneurial and business lifecycle.



Report of the Board

Letter from the Managing Partner

This means that we serve business through their capital agenda, talent agenda, customer agenda and supplier agenda. We are a multi-service provider. We have the advantage of being an integrated, global organization, being able to draw on a rich, international vein of expertise. I therefore foresee permanent added value from audit, tax, advisory and transaction advisory professionals under one roof, always respecting the independence of the audit profession.

Higher quality, lower costs

We must continue to enhance our quality, as well as to reduce our operating costs. The greatest challenge facing our organization is to strike the right balance and ensure that we are able to retain and attract the right people. To remain attractive to a new generation of people, we must take a critical stance on quality and guarantee the dynamism of every aspect of our organization.

The current conditions have been a catalyst to bring forward a number of projects to save costs and make the work more effective, efficient and enjoyable. This will be a healthy stimulus for our people. One of the measures we will bring forward is the introduction of the “Workplace of the future”. Staff will be able to strike a different work-life balance to gain more ownership of when and where they work. If they are happy, satisfied, dedicated and dynamic, they will take good care of our clients. Furthermore, the “Workplace of the future” is about a more sustainable way of working as it reduces commuting.

More focus on the CR agenda

We took a large step forward in the field of corporate responsibility during the year. There was a sharp increase in sustainability activities across all service lines with the subject being increasingly integrated into our organization. With a view to the high growth prospects, we transferred the specialists in the various CR service lines to a multidisciplinary team, which will take an integrated approach to client advice.

Our increased focus towards sustainability is also illustrated by this first integrated annual review. Another example is our involvement in establishing the Dutch Sustainable Growth Coalition, a group of Dutch multinationals that wish to make an active contribution to a more sustainable world. We want to exchange best practices for sustainable business strategies with the companies concerned and share them with others.

In July 2012, we substantially strengthened our position following the signing of the acquisition of Beco, the international consultancy firm specializing in corporate responsibility and sustainability services in the field of energy savings, product and process enhancement and tooling. This acquisition enables us to bolster our existing service offering in this field, giving it a leading position in Belgium and the Netherlands.

Report of the Board

Letter from the Managing Partner

2012 was a year full of sports with the climax of the Olympic and Paralympic Games in London. Since 1997 we are a Partner in Sport of the Dutch Olympic Committee* Dutch Sports Federation, NOC*NSF. Our theme of our sponsorship is coaching, in which we see an important parallel with our own activities. Furthermore we want to be more than just a sponsor. We truly believe that people and organisations performs best when they are physically, mentally and emotionally fit. We want to raise Dutch sport to a higher level and we support the Dutch ambition of wellbeing in the Olympic Plan 2028. We devote a lot of attention to sport activities that support our visions and ambitions including to sport for disabled.

A word of thanks

Last year was very demanding. We had to juggle pressing issues while keeping our sights set on the long term.

I am exceedingly proud of the drive and agility shown by our people in such difficult circumstances. We can now make effective use of the opportunities. I am also proud of our critical stance. We are critical of ourselves and dare to engage our stakeholders in dialog.

We are going a step further: together, with all the strength we can muster, without fear of the economy, which will undoubtedly remain challenging in the year ahead, and without hesitating to do whatever is necessary. In my view, this is ultimately the best way to secure our quality for the future. We have worked hard. The pace at which we work is likely to increase in the years ahead and we will expect more from our people. I am well aware of what this means I would therefore like to thank all our people for their enormous input and commitment. Together we will rise to the challenges.

Pieter Jongstra

Managing Partner, Ernst & Young the Netherlands

Report of the Board

Performance and prospects



Revenue

For the fiscal year 2011/2012 ending June 30, 2012 Ernst & Young (including Holland van Gijzen) reported revenue of € 658.9 million, an increase of 1% on the previous fiscal year. This modest growth was due to the 26% increase in Other income that reflects the increase in services we provided to other member firms. Overall Revenue from rendering of services basically remained flat as the increase in volume was offset by a lower fee per charged hour. The trending topics seen in previous year accelerated during the past fiscal year, including the economic downturn, fierce competition, price pressure, continuing non-billable investments in quality and increased lead time in winning engagements.

Our two major service lines Assurance and Tax were particularly impacted by these topics and showed a decline of 2% on the previous year. Our two other services lines Advisory and TAS, however, increased their revenue by 11% and 1% respectively. Volume growth and Advisory's acquisition of Partake Consulting mainly contributed to their revenue increase.

Revenue	2011/2012	2010/2011*	
	€ 000	€ 000	Δ
Assurance	288,231	293,485	-2%
Tax	229,195	233,914	-2%
Advisory	83,528	75,336	11%
Transaction Advisory Services	33,814	33,399	1%
Rendering of services	634,768	636,134	0%
Other income	24,142	19,228	26%
	658,910	655,362	1%

* Income from Outbound partners 2010/2011 of € 2.3 million has been reclassified from Other operating expenses.

Report of the Board

Performance and prospects

Operating expenses

Operating expenses increased to € 534.0 million, up 5%, mainly driven by the Employee expenses (explained in more detail in the next section). Purchased services, i.e. cost of services and expenses from member firms and third parties directly attributable to engagements, showed a slight increase of 1% to € 70.4 million. The decrease in Depreciation and amortization was caused by the transition of part of the lease car fleet from financial lease to operational lease. This transition led to an expense shift from depreciation and interest expenses to Mobility expenses. Excluding this shift, Depreciation and amortization remained at the previous year level.

Other operating expenses remained at previous year level of € 158.4 million. Cost savings regarding marketing, travel & accommodation, recruitment and temporary staff and services were offset by additional investments in, amongst others, IT systems.

Operating expenses

	2011/2012	2010/2011	
	€ 000	€ 000	Δ
Purchased services	70,362	69,907	1%
Employee expenses*	290,165	261,314	11%
Depreciation and amortization	15,052	17,156	-12%
Other operating expenses**	158,388	158,505	-0%
	533,967	506,882	5%

* 2010/2011 Mobility expenses (€ 20.4 million) and Other staff expenses (€ 8.2 million) qualifying as Employee benefits expenses are reclassified from Other operating expenses to Employee expenses.

** Income from Outbound partners 2010/2011 of € 2.3 million has been reclassified from Other operating expenses.

Report of the Board

Performance and prospects

Employee expenses increased to € 290.2 million, a rise of 11% on the previous year. Since € 2.9 million or 1% is due to the transition of part of our car leases from financial to operational lease as part of Mobility expenses, the actual increase amounted to € 26.0 million or 10%. There are four important drivers for the increase. Firstly, there is the rise of Salaries and bonuses. This is due to the combined impact of client serving and support staff increase by 74 FTE or 2% and average salary and bonus increase of just below 2%.

Secondly, the combined Social security charges and pension premiums increased. In addition to higher salaries and bonuses, the increase was a consequence of higher pension premiums and higher social security base and premiums.

Thirdly, Other staff expenses include a provision, that relates to salary to be paid in the event of termination of labour contracts and supplementary disability benefits under the Work and Income Act (WIA).

Finally, our Mobility expenses rose by € 1 million net of transition from financial to operational car lease referred to above. This was due predominantly to the increase in FTEs making use of our car lease and other mobility arrangements.

Employee expenses	2011/2012	2010/2011	
	€ 000	€ 000	Δ
Salaries and bonuses	193,419	186,813	4%
Social security charges	26,198	23,879	10%
Pension contribution	23,630	22,054	7%
Mobility expenses *	24,662	20,394	21%
Other staff expenses *	22,256	8,174	-
	290,165	261,314	11%

* 2010/2011 Mobility expenses (€ 20.4 million) and Other staff expenses (€ 8.2 million) qualifying as Employee benefits expenses are reclassified from Other operating expenses to Employee expenses.

Report of the Board

Performance and prospects

Results

Overall, our Operating profit declined by 16% to € 124.9 million. Finance expenses dropped by € 7.5 million. The classification of members' capital as equity instead of debt had a lowering impact on the finance expenses of about € 5 million.

In addition, the decline was caused by the transition from financial to operational car leases and reduced interest payments.

Including the reduction in tax expenses of € 0.8 million, our Profit for the fiscal year 2011/2012 came to € 112.8 million, a decline of 12% in comparison to the previous fiscal year.

Staff and partners

The average number of client serving staff during the fiscal year 2011/2012 increased by 5% to 2,748 FTEs. Including partners, the average number of client serving professionals was 2,980 FTEs. As a result of streamlining our support organization, work process improvements and global integration, the number of support staff fell by 5% to 831 FTEs. Consequently, the ratio of client serving professionals to support staff improved by 10% from 3.3 to 3.6.

	2011/2012	2010/2011	
Profit for the fiscal year	€ 000	€ 000	Δ
Operating profit	124,943	148,480	-16%
Finance income and expenses	-12,151	-19,655	-38%
Profit before tax	112,792	128,825	-12%
Income tax expenses	49	-734	-
Profit for the fiscal year	112,841	128,091	-12%

	2011/2012	2010/2011	
Average number of FTE staff and partners			Δ
Client serving staff	2,748	2,630	5%
Partners	232	234	-1%
Client serving professionals	2,980	2,864	4%
Support staff	831	875	-5%
	3,811	3,739	2%

Report of the Board

Performance and prospects

Equity

The combined statement of financial position at June 30, 2012 shows an equity surplus of € 30.9 million. The drop of € 4.4 million on the previous fiscal year is due on balance to the lower profit for the financial year.

Following the Ernst & Young Nederland LLP amendments in the previous year, this fiscal year Holland Van Gijzen Advocaten en Notarissen LLP amended its contractual terms with respect to the repayment of its members' capital. This resulted in an additional members' capital increase of € 4.9 million.

Equity	Members' capital	Profit available for distribution	Other reserves	Retained earnings	Total retained earnings	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
At 30 June 2011	75,036	122,900	-1,751	-160,888	-39,739	35,297
Profit distribution 2010/2011	-	-117,418	-	-	-117,418	-117,418
Profit for the financial year	-	102,110	-	10,731	112,841	112,841
Contributions of capital from members	4,760	-	-	-	-	4,760
Repayment on retirement through equity	-4,253	-	-	-	-	-4,253
Change in conditions of members' capital	4,865	-	-	-	-	4,865
Interest on members' capital	-	-5,117	-	-	-5,117	-5,117
Change in estimates of obligations to current members	-	-35	-	-	-35	-35
At 30 June 2012	80,408	102,440	-1,751	-150,157	-49,468	30,940

Report of the Board

Performance and prospects

As a result of these amendments the entire members' capital of € 80.4 million is now classified as equity.

Retained earnings include the settlement of drawing rights in 2006/2007 and 2008/2009. This adversely impacted equity (retained earnings) and will be funded up to 2026 by € 10.7 million each year by the then profit-sharing partners. Overall our financial position is healthy.

Cash flow

Our cash position declined by € 1.8 million to € 66.8 million at the end of the fiscal year 2011/2012. Compared to the previous year net cash flow improved by € 17.0 million. Our operational cash flow significantly increased by € 21.9 million to € 167.1 million. An important improvement was the reduction in working capital and revenue days. This is mainly the result of the introduction of a working capital policy that includes penalty targets. Investments in tangible and intangible assets led to a cash out part of which includes the Partake Consulting acquisition. Finally, the cash out from financing activities remained practically unchanged at € 161.8 million.

Cash Flow	2011/2012	2010/2011	
	€ 000	€ 000	Δ
Net cash flows from operating activities	167,130	145,234	15%
Net cash flows used in investing activities	-7,057	77	-
Net cash flows used in financing activities	-161,847	-164,079	-1%
Net cash flow	-1,774	-18,768	91%
Net cash and cash equivalents in 1 July	68,551	87,319	
Net cash flow	-1,774	-18,768	
Net cash and cash equivalents in 30 June	66,777	68,551	

Report of the Board

Performance and prospects

Value added statement

We have used revenue as a proxy of our wealth generation.

In the table we show how this was distributed to the various participants.

Value Added Statement

	2011/2012	2010/2011	
	€ 000	€ 000	Δ
Wealth generation	658,910	655,362	1%
Government	103,731	96,409	8%
Suppliers*	255,855	266,691	-4%
Employees	186,483	164,171	14%
Partners	112,841	128,091	-12%
Total	658,910	655,362	1%

* Including employee related expenses, like pension premiums and mobility expenses.

Report of the Board

Performance and prospects

Prospects

Needless to say these are turbulent times for global professional services firms such as Ernst & Young. Our results for next year will be driven by various trends. These include a challenging international economic outlook, the euro/debt crisis, the revenue trend driven by fierce competition and price pressure, increased investment in quality and the proposed regulatory changes regarding the audit profession in the Netherlands and Europe. We need to strengthen the revenue growth in the present fiscal year. Charging a fair fee for our services and our will to win in the market will be key in this respect. Additional revenue should come from our latest acquisitions; REAS and Beco will strengthen our real estate advisory and corporate responsibility activities respectively. But we will have to focus sharply on operational excellence to improve our efficiency in combination with further quality improvements. We will continue our investments in quality and people. Simplifying our structure, further streamlining our supporting processes and leveraging our global organization are important operational actions that will be executed. Our work place of the future project will change the way we work and where we work. These actions will reinforce the foundations to improve the results in the current fiscal year.

Report of the Board

Creating value in the marketplace



2011/2012 FROM A MARKET PERSPECTIVE

The dominant themes in our markets in the fiscal year 2011/2012 were the economic downturn and the European euro/debt crisis. Conditions worsened considerably for our clients during the year. The Dutch economy saw limited growth in the first half of 2011. The market deteriorated further in the second half of the year and the outlook has not been very encouraging since. All market segments have experienced very volatile and turbulent market developments. Pressure on revenue and margins has led to enterprises giving priority to cost control. Consumer and business confidence is at an all-time low and short-term recovery is unlikely. There is also uncertainty surrounding the development of employment. While the government focuses on cutting public debt, pensions are under pressure and the Dutch housing market has come to a hold. This has had direct negative consequences for many industries, particularly in the construction industry. In the longer term, the world economy faces major social and environmental challenges relating to the exhaustion of natural resources. Sustainability is therefore high on the agendas of policymakers in all business sectors.

The continued unrest and lack of confidence in financial markets is being fuelled by the rampant European debt crisis and the lack of an adequate solution.

Moreover, governments and regulators are playing a more prominent role and are intervening more often, which has led to tighter regulation on several fronts. This is particularly true in the audit profession, with the proposed legislation and regulations having a substantial impact on our own sector as well, both for ourselves and for our clients.

Furthermore, market participants must respond to demographic shifts in our own country and abroad. In the Netherlands, an ageing population not only affects the healthcare sector, but also has a strong impact on the labor market. The growth of the world population to nine billion in 2050 is taking place almost entirely in emerging markets and international companies are investing in those countries in order to take advantage of growth opportunities. At the same time our “European Attractiveness Survey 2012” revealed that the Netherlands is becoming increasingly more attractive to non-European investors. This is due partly to the low cost of the euro. The United States remains by far the largest non-European investor in the Netherlands.

The global challenges presented by the economic downturn, demographic shifts and social and environmental changes also provide business opportunities. We are increasingly seeing that our clients are rethinking their long-term business strategies in order to create long-term stakeholder value.

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To provide our clients with the best possible support, Ernst & Young has adapted its services in response to these challenging market conditions and trends. Our highest priority is an effective and constructive dialog with the market. That is why we have ongoing dialogs with our clients, regulators, government authorities, research organizations, regulators and civil society. We participate actively in the public debate and initiate discussions ourselves. We want to stand close to our clients and invest in our role of thought leader. To this end, we carry out many national and international studies and share our knowledge with our clients and other stakeholders.

MARKET PERFORMANCE IN 2011/2012

Customer focus through a sectoral approach

During the fiscal year, we further strengthened our market focus and intensified our presence in the market. We have focused our go-to market approach around nine industrial and four regional market segments.

The cross service line relationships are improving thanks to all four service lines being brought together in these market segments. Furthermore, we continued to make use of EMEIA initiatives, and to develop local initiatives. This has resulted in a stronger market position.

Our dialog with the market

In our dialog with the market, we concentrated on three new initiatives in the past year: Growing beyond, Eurozone and Tomorrow's economy. The first two are international; the third has been developed especially for the Dutch and Belgium markets. In all these areas, we focused on the economic dimension.

Throughout the world, and certainly in the Netherlands, businesses are having to thrive in the weak economic conditions brought about by the crisis in Europe and are seeking solutions to respond successfully.

We therefore launched our international **Growing beyond** program during the year. Rather than relying on our own know-how and skills, we carried out an international study of individual industries to determine what successful companies have actually done to perform so well and benchmarked their activities against those of underperforming companies. We held up the findings as a mirror to our clients. The study is a useful springboard for discussions with family-owned businesses and owner/managers as well as with our international clients. It has prompted personal and inspirational talks and perfectly complements our goals of learning from the market, sharing knowledge with our stakeholders, encouraging business and adding value.

With our **Eurozone** project we entered into an active dialog with the market in response to the deepening of the European financial crisis. We want this project to make our clients more aware of the implications of the crisis. It presented a series of themes to illustrate the potential consequences of the financial crisis. We want to encourage our clients to think about their strategic responses so that they can emerge from the crisis in a stronger position. We approached CEOs and CFOs and shared the knowledge and insights in a report. We are using the report in all our strategic client contacts to raise such issues as the consequences for treasury.

The **Tomorrow's economy** program is also a response to the economic outlook. Every quarter we invite a group of Dutch decision-makers from various sectors to inform them of how the national and international economies are faring, placing recent events in a wider context and offering an often surprisingly refreshing look at what is on the cards for the coming fiscal quarters. Together with specialists and high profile speakers we share several visions to stimulate a very open discussion. Clients share their views on the developments and explain how they are preparing themselves. By provoking discussion we are aiming to increase awareness and find creative solutions for our clients.

The economic downturn has also had a clear impact on our business.

By focusing on cost savings, companies are becoming more cautious: they are examining whether it is really necessary to outsource tasks or whether they have sufficient resources and competences in house. The number of requests for proposals fell as a result, although the volume per contract remained the same. In addition, lead times have increased. Engagements are being granted less frequently, which means far more investment is required from us to win contracts.

The table below shows the main trends and related developments in our clients' business environments that we have identified from our dialog with the market, our assessment of them and examples of our response.

MARKET TRENDS	DEVELOPMENTS IN THE BUSINESS ENVIRONMENT	ERNST & YOUNG'S RESPONSE	EXAMPLES OF ERNST & YOUNG'S RESPONSE
Economy			
<ul style="list-style-type: none"> ▶ Economic crisis ▶ Euro/debt crisis ▶ Commodity market volatility and geopolitical threats ▶ Globalization 	<ul style="list-style-type: none"> ▶ Maximizing efficiency gains and cost reductions ▶ Increase in foreign investment projects in the Netherlands ▶ Growth in investments made by Dutch companies outside the Eurozone ▶ Focus on creating synergies ▶ Increasing risk of fraud ▶ Restructuring the value chain ▶ Increased acquisitions in emerging markets 	<ul style="list-style-type: none"> ▶ Further product development to support cost reduction and performance improvement ▶ Thought leadership on the impact of the euro ▶ Promoting and fostering entrepreneurship ▶ Ensure that customers are in control within an increasingly complex fiscal environment by Task Control Framework ▶ Support to optimize the value chain ▶ Focus on strategic growth markets 	<ul style="list-style-type: none"> ▶ Enterprise Intelligence services ▶ Market dialogue: "growing beyond", the Eurozone, tomorrow's economy ▶ e.g. Research into attractiveness of the Netherlands as a business location (attractiveness survey 2012 as barometer) ▶ Coaches of Industry program ▶ Fraud Investigation and Dispute Services ▶ Task Performance Advisory services
Financial markets			
<ul style="list-style-type: none"> ▶ Weak capital markets ▶ Decreased lending activity of banks ▶ Financial institutions need to restore confidence/re-invent themselves ▶ Tighter regulation 	<ul style="list-style-type: none"> ▶ Uncertainty of companies leading to decisions being postponed ▶ Low IPO activity ▶ Funding problems ▶ More customer focus and customer care ▶ Focus on compliance, risk management and governance 	<ul style="list-style-type: none"> ▶ IPO readiness review ▶ Support to optimize the value chain ▶ Streamline decision-making structures ▶ Compliance and reporting support ▶ Increased international cooperation 	<ul style="list-style-type: none"> ▶ Advising on all issues on the capital agenda restructuring (retention, maximization, raising and investment of capital) ▶ Study on the compliance with the Banking Code ▶ Global Consumer Insurance Survey ▶ Capital confidence barometer
Regulation			
<ul style="list-style-type: none"> ▶ Higher demands of regulators and their impact ▶ Focus on good governance ▶ Companies must be in control ▶ Debate surrounding auditing profession 	<ul style="list-style-type: none"> ▶ Perception of over-regulation and administrative burden ▶ Lower risk appetite ▶ Focus on compliance, risk management and governance ▶ Rethinking of Big 4 strategy 	<ul style="list-style-type: none"> ▶ Governance and risk management support ▶ Compliance and reporting support ▶ Active participation in the debate on audit quality (white paper "Better communication by external auditor") 	<ul style="list-style-type: none"> ▶ Risk convergence services ▶ Support to implement Basel III, Solvency II, FACTA ▶ Dialog with the top 50 companies on the impact of legislation
Corporate Responsibility			
<ul style="list-style-type: none"> ▶ Increased customer demand for sustainability ▶ Tighter regulation ▶ Sustainability throughout the supply chain ▶ Scarcity of natural resources 	<ul style="list-style-type: none"> ▶ More focus on value creation and non-financial issues ▶ Customer focus and duty of care within the financial sector ▶ More demand for transparency on sustainability 	<ul style="list-style-type: none"> ▶ Corporate responsibility as integrated part of EY services in all service lines ▶ Support for integrated reporting ▶ Expansion of multidisciplinary cleantech and sustainability service team 	<ul style="list-style-type: none"> ▶ Sustainable business excellence models ▶ Facilitate Dutch Sustainability Growth Coalition (promoting business models based on sustainable growth) ▶ Seminar Tax matters: "fair share" ▶ Acquisition of BECO
Demographics			
<ul style="list-style-type: none"> ▶ Ageing population ▶ Increased attention to health and well-being of people 	<ul style="list-style-type: none"> ▶ Many founders of family-owned business retiring ▶ Dealing with limited budgets/increasing costs/market forces in healthcare ▶ More focus on well-being of workforce 	<ul style="list-style-type: none"> ▶ Personal Tax Services, including estate planning ▶ Support talent management and diversity to deal with shortages ▶ Invest in healthcare and life science services 	<ul style="list-style-type: none"> ▶ Publication on "current developments in healthcare" ▶ Top performer program for clients

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WORLD OF ERNST & YOUNG



Service lines >>>>	Assurance	Tax	Advisory	Transaction advisory services
	<ul style="list-style-type: none"> ▶ Audit of financial statements ▶ Accounting Compliance and Reporting (ACR) ▶ Financial Accounting Advisory Services (FAAS) ▶ Fraud Investigation & Dispute Services (FIDS) ▶ Climate Change and Sustainability Services (CCaSS) 	<ul style="list-style-type: none"> ▶ Business Tax Services ▶ Human Capital ▶ Indirect Tax (VAT, Customs & International Trade, State & Local Tax) ▶ International Tax Services ▶ Legal and Notarial Services (through Holland Van Gijzen Advocaten en Notarissen LLP) ▶ Transaction Tax 	<ul style="list-style-type: none"> ▶ Performance improvement ▶ Risk Management ▶ IT Risk and Assurance (ITRA) 	<ul style="list-style-type: none"> ▶ Transaction Support ▶ Valuation & Business Modeling ▶ Restructuring and Working Capital Management ▶ Lead Advisory ▶ Operational Transaction Services

Our industries >>>>

Financial Services	+	+	+
Energy & Resources	+	+	+
Consumer Products & Retail	+	+	+
Technology/Telecom, Media & Entertainment	+	+	+
Healthcare & Life Sciences	+	+	+
Government & Public	+	+	+
Real Estate, Hospitality & Construction	+	+	+
Transport & Logistics, Automotive	+	+	+
Other	+	+	+

← Ernst & Young regions North, East, West and South →

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Creating value in the marketplace

MARKET PERFORMANCE IN 2011/2012

Revenue by industry market segments

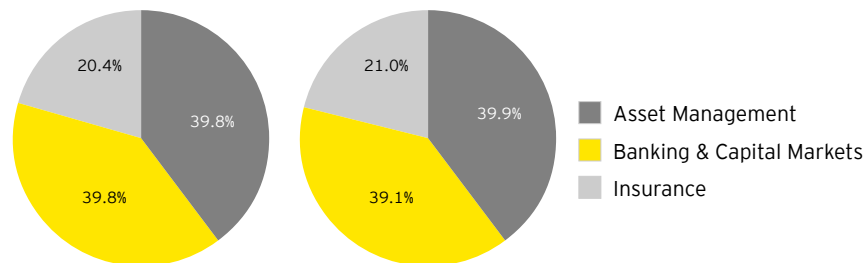
Our revenue from rendering services in 2011/2012 and the previous fiscal year was generated in the following combined industry market segments.

Industry Market Segments	2011/2012	2010/2011	Δ
	€ 000	€ 000	
Financial Services	187,303	176,716	6%
Energy & Resources	70,221	67,758	4%
Consumer Products & Retail	69,853	70,150	0%
Technology/Telecom, Media & Entertainment	55,694	60,401	-8%
Healthcare & Life Sciences	50,172	49,483	1%
Government & Public	44,346	44,177	0%
Real Estate, Hospitality & Construction	43,720	45,333	-4%
Transport & Logistics, Automotive	24,565	26,691	-8%
Other	88,894	95,425	-7%
Revenue from Rendering of Services	634,768	636,134	0%

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Financial Services 2011/2012

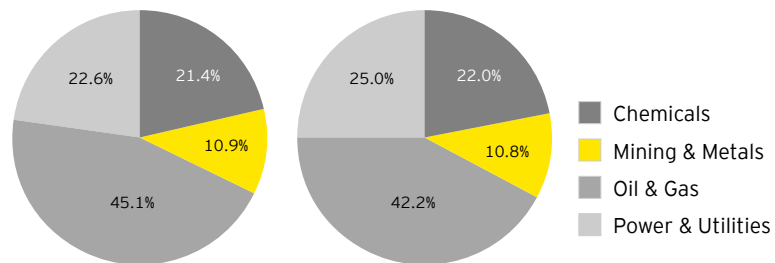


Financial Services

The 6.0% increase in Financial Services' revenue reflects mainly advances at the Advisory service line, where Performance Improvement, Risk Management and IT Risk services were the main drivers. The Assurance audit client base remained stable, although rates came under pressure. In the light of the upcoming audit regulatory change all three market segments need to adapt its services. On the whole, all our segments have reported similar growth over the years. Important driver for the growth will be our strategic solutions to major issues such as Global Regulatory Reform, Solvency II, FATCA, Data Quality & Data Management and Risk Convergence.

Banking & Capital Markets is the dominant sector in the Netherlands and we have been historically very successful. In Insurance we are Assurance market leader. Asset Management is also Assurance focused at present.

Energy & Resources 2011/2012



Energy & Resources

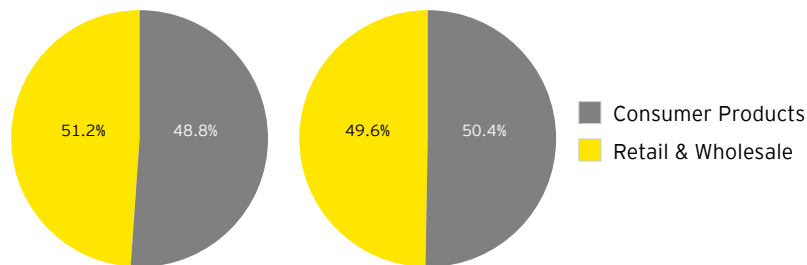
Our Energy & Resources industry market segment continued to perform well in tough conditions and across most of our service lines, with revenue growing by 3.6% on the previous year to € 70.2 million. The Oil & Gas sector reported the highest growth in the segment as a whole. We further achieved new and exciting client wins and an excellent retention ratio in the Oil and Gas market. Our market position within the energy segment in our region remains strong. The main drivers for our business are the continued growth of energy demand and client focus on energy transition. Many energy companies in our region play a significant (global) role in this segment and in energy transition. Innovation is key and as we serve various clients that are leading through innovation, this is an area on which we will continue to focus. At the same time many companies are experiencing the impact of global demand and economic circumstances and we seek to support them with services aimed at improving their business, performance and risk control environment.

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Consumer Products & Retail 2011/2012

2010/2011

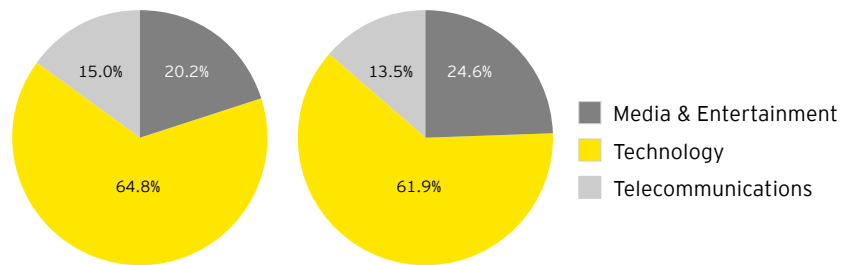


Consumer Products & Retail

Reporting a slight decline of 0.4% the Consumer Products & Retail market segment generated total revenue of € 69.9 million in 2011/2012. We maintained our market position though we faced a consolidation in our client base and fee pressure, particularly in the Retail sector in the Netherlands. The Dutch Retail and Consumer Products market is one of the most competitive in Europe. The market is saturated, margins are narrow and consumer behavior is unpredictable. In the current weak economic climate, consumer confidence is very low and expenditure is declining. Businesses are turning their sights to the effectiveness of the entire value chain in order to relieve the pressure on margins. We have identified three general trends: cost control, logistical efficiency and risk management, and we have successfully aligned our services to them during the year. For the current fiscal year we expect positive growth through intensified service line market penetration and expansion of our major clients base.

Technology/Telecom, Media & Entertainment 2011/2012

2010/2011



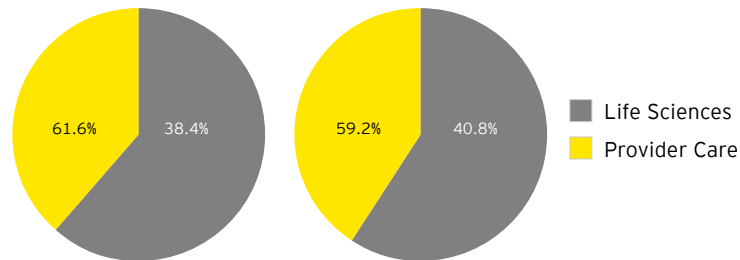
Technology/Telecom, Media & Entertainment

Revenue in the Technology/Telecom, Media & Entertainment industry market segment in 2011/2012 decreased from € 60.4 million to € 55.7 million. The Technology, Media & Entertainment and Telecom sectors have to deal with a rapid succession of challenging developments. A real revolution is taking place in the field of telecommunications. The new generation of 'digital natives' means that companies face challenges in areas such as marketing and communications and product distribution. Online shopping and the use of social media are both soaring. The impact of social media on the reputation of companies has also increased sharply. The focus on reputational risk within the area of risk management has therefore also increased. In March 2012 we presented our scenario study, "How will consumers communicate in 2020?" Forty-five specialists and twenty-five companies took part in it. We will publish an annual update of the study to keep pace with the rapid developments in the sector and have invested in our services to meet our clients' demand.

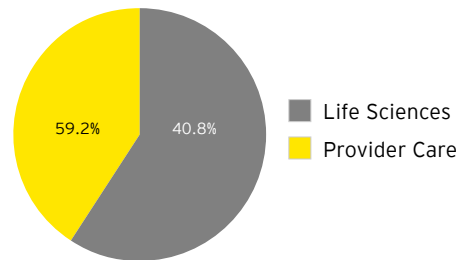
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Healthcare & Life Sciences 2011/2012



2010/2011

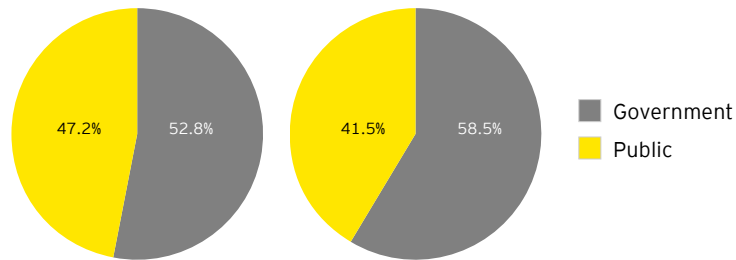


Healthcare & Life Sciences

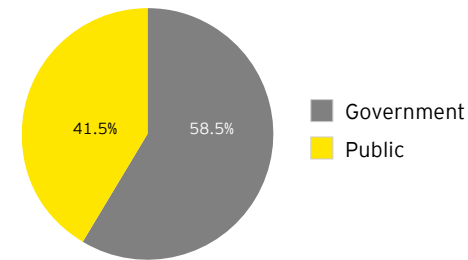
We serve all types of care providers (hospital, mental healthcare, homecare, elderly care and primary healthcare), care entrepreneurs, health insurers and the biotechnology, pharmaceutical and medical technology industries. With a growing client portfolio and closer cooperation with other industry market segments, the Healthcare & Life Sciences market segment further strengthened its market position by 1.4% to € 50.2 million. Provider Care achieved growth, while Life Sciences' revenue dropped.

The Healthcare market is changing rapidly in the Netherlands. Market liberalization and restricted growth opportunities for hospitals/provider care institutions have curbed the increase in the cost of healthcare, whereas selective buying behavior by health insurers, complex real estate issues, the need for more transparency in the field of quality, safety and finance, have prompted R&D and manufacturing of pharmaceutical companies to move out of the Netherlands.

Government & Public 2011/2012



2010/2011



Government & Public

The Government & Public market segment faced adverse market conditions following the collapse of the Dutch government and cuts in public spending in 2011/2012. Yet revenue remained stable at € 44.3 million, up just 0.4%.

A sharp increase in the number of hours charged made up for nearly all the negative impact of price pressure. Services rendered to decentralized government bodies, in particular to local authorities, generated the growth in chargeable hours and we strengthened our leadership in this segment. Advisory also reported higher revenue from the decentralized government sector, especially from bodies in the social sphere, such as local authorities and employment agencies. We successfully anticipated the decentralization of public services and the introduction of new legislation. For IT Risk and Assurance (ITRA), 2011/2012 was a profitable year as a result of greater public interest in IT security and safety.

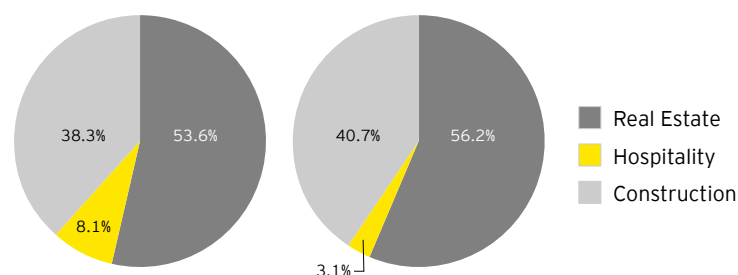
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Real Estate, Hospitality & Construction

2011/2012

2010/2011



Real Estate, Hospitality & Construction

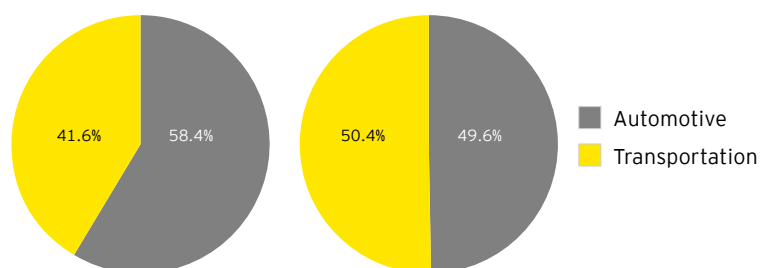
The 3.6% decrease in revenue to € 43.7 million at Real Estate, Hospitality & Construction market sector was in line with the overall trend in this sector. Although our client base remained stable, revenue per client decreased due to price pressure and a decrease in service penetration per client. Nevertheless, we generated additional revenue from activities relating chiefly to the ongoing crisis, for example restructuring, valuation reviews and support, and real estate loan review activities.

The Real Estate market is facing significant lower investment activity, lack of available debt and capital, increasing vacancy rates in both office and retail premises and pricing pressure on value and rental levels, especially for secondary real estate. Vacant office space is becoming a national problem. The Construction sector is experiencing a long period of declining construction volumes due chiefly to the weak residential market but also to lower development activity in the commercial sector. It will not come as a surprise that the number of bankruptcies in the sector again increased significantly.

Transport & Logistics, Automotive

2011/2012

2010/2011



Transport & Logistics, Automotive

The Transport & Logistics, Automotive market sector encountered a drop in revenue from € 26.7 million to € 24.3 million. This was due primarily to large (non-recurring) projects in 2010/2011, with two major accounts in the Logistics sector not being followed by similar projects in 2011/2012. Revenue on inbound focus accounts also shrank, which was due specifically to pricing pressure shared with our foreign member firms on Assurance work.

On the positive side, Tax showed an overall growth for Transport & Logistics. Except for Assurance all service lines showed growth in Automotive: Advisory 73% (mainly inbound accounts), Transaction Advisory Services 72% and Tax 12%.

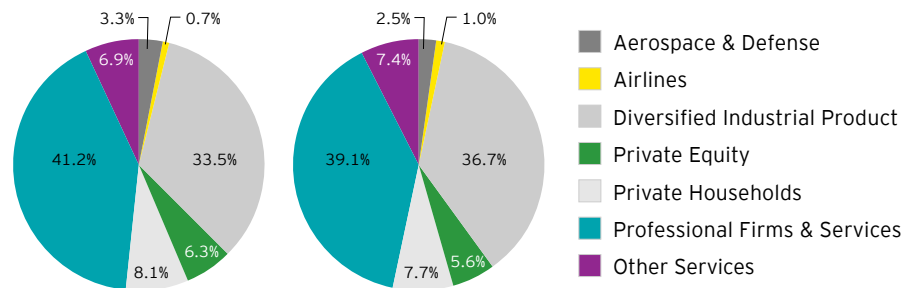
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Other

2011/2012

2010/2011



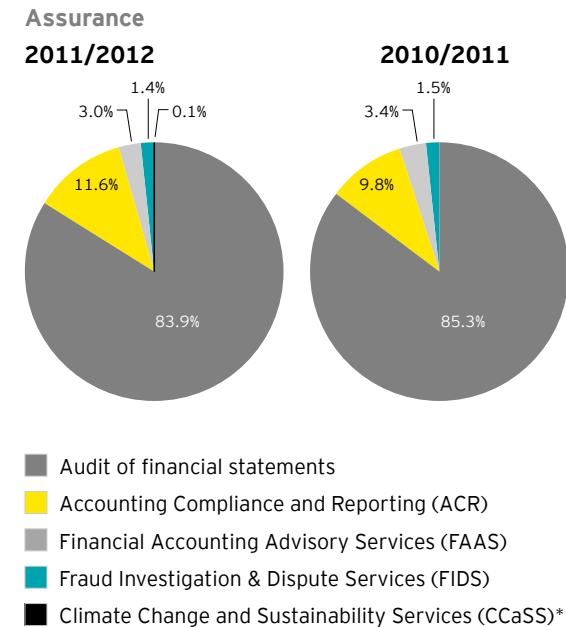
Other

Overall revenue in this market segment fell by 6.8% to € 88.9 million in comparison to the previous year. Except for Aerospace & Defense and Private Equity, all market segments showed negative growth. In general, market segments were hit by fierce competition, continuing fee pressure and the economic downturn. Revenue at Diversified Industrial Product fell by 14.8%, accounting for almost 80% of the total revenue decline of € 6.5 million in this market segment.

Aerospace & Defense, however, managed to increase its revenue by 18.3%. So did Private Equity. Its growth amounted to 6% on the previous year.

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OUR SERVICES IN 2011/2012

Assurance

An active participant in the public debate

The public debate on the auditor's role in society continued to rage during the past year. We are deliberately playing a very active part in and making a constructive contribution to the debate. We are engaging with politicians, corporate directors, members of supervisory boards and other stakeholders.

Legislation being drafted in both the European Union and the Netherlands will have a deep impact on our profession. In Brussels, Commissioner Michel Barnier is preparing new rules to strengthen the independence of auditors and restrict the advisory services they may provide. In The Hague, legislation may be introduced to forbid firms like ours providing both audit and non audit services to the same clients in order to increase auditor independence.

Legislation is also being prepared that will require Dutch listed companies and other large enterprises to change their auditor every eight years. Being open to change, we are actively participating in the debate. However, we believe its focus should be more on audit quality and communication of audit findings.

* Reporting unit formed at the end of the fiscal year 2011/2012.

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As for the discussions regarding communication, we helped to kick-start the debate with our White Paper “Better communication by the external auditor”. In it, we make proposals on how auditors can improve their communication with clients and society at large. Better communication would bring the added value of the auditor’s work to the fore. This is still a hot topic and our paper is an important source of discussion with our stakeholders. In the paper we support stronger communication between a company’s supervisory board and its auditors, enhanced reporting by the supervisory board to stakeholders and improved macro-communication by auditors with society at large, e.g. through collective management letters on specific sectors.

To participate in the debate, we are seeking dialog with supervisory board members, politicians, regulators (AFM/DNB) and other stakeholders. We discussed the current public debate bilaterally during the year with the CEOs and CFOs of the 50 largest companies in the Netherlands – both clients and non-clients – in order to share our vision with them. The separation of audit and advisory services and audit rotation were high on the agenda. We also organized several roundtables and other meetings with supervisory board members and other stakeholders. They are considered in more detail in our Transparency Report.

Investing in Quality

Our profession is undergoing fundamental change. We are aware of our social function and our duty to deliver quality. We therefore continuously seek improvement. During the past year we invested a great deal in quality. The investments were directed principally at the professional and technical knowledge and skill sets of our people. We also continued to stress the importance of our auditors taking a critical professional stance. In the beginning of 2011 we launched a Culture Change program within Assurance to coincide with the review of our training program. We are investing in quality to create a culture defined by professionalism and team work.

More clients, higher quality but lower revenue per client

Despite the difficult conditions, we retained our good position in the market. We lost only few significant clients at the top of the market. On the other hand, we won several significant new clients in a number of sectors, most notably in Utilities and Healthcare, but also in Oil & Gas and Public (especially among local authorities). We also consolidated our traditional strength in the SME segment of enterprises with 100 to 2,000 employees. Nevertheless, revenue as a whole was lower. The stiff competition and pressure on prices seen in recent years were again keenly felt during the past year, as the economic downturn forced our clients to focus more sharply on costs. At the same time, stricter legislation and regulations as well as our unwavering commitment to quality caused us to spend more non-billable hours on compliance and quality per client. As a result, average revenue and profitability per client were lower.



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Strong growth at Accounting Compliance and Reporting has generated an increase in its revenue of 16.3% to € 33.4 million.

Our Financial Accounting Advisory Services experienced revenue decline during the year. The services cover reporting processes, financial accounting processes, closure processes and IFRS adoption processes. They are rendered by a dedicated team, chiefly at clients to whom we do not provide audit services, and are meeting the growing need among clients to comply with increasingly complex legislation and regulations. Our Fraud Investigation and Dispute Services also showed a small revenue decrease of € 0.2 million.

Integrated approach to corporate responsibility

Corporate responsibility is becoming a more integrated part of our assurance and other services. More and more businesses want to report on their social and environmental engagement and request a professional firm to provide independent assurance.

The number of engagements during the year was accordingly higher. We also provided more assurance and advice on integrated reporting. We take part in a pilot project of the International Integrated Reporting Council (IIRC). Its goal is to publish a first draft framework for integrated reporting by 2013. Seventy global companies have volunteered to take part. We introduced a series of new services during the year. We carried out CO₂ emission verifications for businesses to be awarded ISO 17020 certification. Other engagements related, inter alia, to risk management, corporate governance design and operation, measurements and supervisory board reports.

We continued to train our auditors to be able to provide assurance as members of a multidisciplinary team. Corporate responsibility will eventually become a regular part of our audits. Our ambition goes further than reporting and assurance. We want to be of all-round service to our clients supporting them in all areas of corporate responsibility, from strategy to implementation and from reporting to assurance. With a view to high growth prospects, we transferred the specialists in the various CR service lines to a multidisciplinary team known as Climate Change and Sustainability Services (CCaSS), which will take an integrated approach to client advice.

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In July 2012, we substantially strengthened our position following the signing of the Beco acquisition. Beco specializes in corporate responsibility and sustainability services in the field of energy savings, product and process enhancement and tooling. This acquisition enables Ernst & Young to bolster its existing service offering in this field, resulting in a leading position in Belgium and the Netherlands. Beco and its workforce of 32 employees in the Netherlands will be integrated into the Climate Change and Sustainable Services (CCaSS) sub-service line which is part of the Assurance service line.

In our services, we distinguish the following four categories: Corporate responsibility, Energy and climate change, Product and process optimization and ICT. Developing web-based tools to support sustainable business operations, knowledge exchange and sustainability information management.

We are thus excellently positioned to keep pace with future growth in this market.

Thought leadership

We launched a new international publication during the year entitled "Reporting". A magazine for clients and associates, it discusses global reporting and governance issues. The magazine is not confined to the technical aspects of reporting or to just financial reporting, but contains a mix of articles on business, regulation and investment. It presents a picture from the divergent views of our many stakeholders.

Our view on integrated reporting

Integrated Reporting has gained significant global momentum as a new framework for corporate reporting. It is a dynamic process and continues to evolve, with different options being taken into consideration. Integrated reporting reflects what an organization really stands for, the value it wants to create, the governance around it and the performance achieved. It integrates financial information with non-financial information, providing a holistic approach to enable a company's management, investors, business partners and other stakeholders to understand how a company creates value through its interactions with the environment, societies and economies that sustain it.

It is increasingly clear that market value and business performance are defined not only by financial issues. Environmental challenges such as climate change, the depletion of natural resources and social challenges such as responsible supply chain practices have a direct impact on a company's performance. Increasingly these challenges become drivers for strategic growth or improved operational performance. We believe that integrated reporting is more than just the report itself, and covers the full process of systematically integrating sustainability into an organization's strategy, governance and risk management. It is about the interconnections between environmental, social, governance and financial factors that affect long-term business performance and value creation. Integrated reporting is strategic and forward looking and forms a platform for dialog with investors and other stakeholders. The key user groups of the integrated report are investors and business partners, but the information is also of interest to other stakeholders. Eventually information technology will support the concept of integrated reporting and will facilitate the customized concise information needed to make informed decisions.

Integrated Reporting enhances the full reporting process and is aimed not only at rendering account but also at driving change. It is therefore an important management tool to measure and communicate the full value a company can create through its business activities along its full economic value chain. It provides an insight into the economic, social and environmental return on investments.

Integrated Reporting acts as a catalyst for change by encouraging a more strategic and holistic way of thinking about the business opportunities that sustain and create value.

We also issued many publications for our clients and stakeholders on a variety of issues, such as integrated reporting and assurance, sustainability and manipulation risk, on periodic financial closure in theory and practice. The 2012 edition of "A View of Oversight", a publication containing news and information for supervisory directors and regulators, had strategy as its theme.

Report of the Board

Creating value in the marketplace

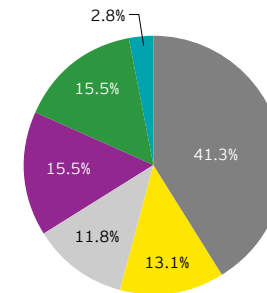
Tax

Solid performance in a challenging market

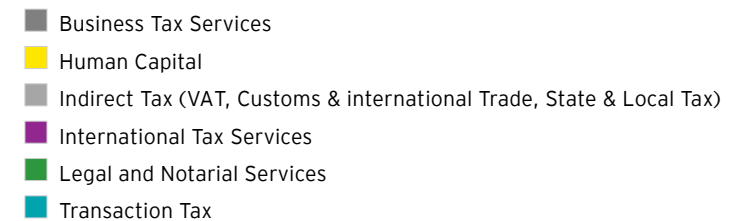
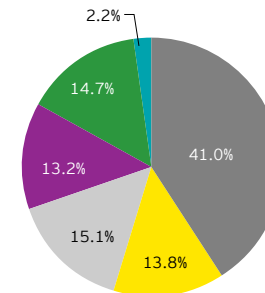
By concentrating on segments and responding promptly to changes in the market, our performance was again solid in the fiscal year 2011/2012.

The increase in non-billable investments hours per engagement and a lower average fee caused revenue to be lower compared to the previous year. Our market share in listed accounts at the top of the market remained stable. This market is competitive and the economic downturn has been exerting strong pressure on prices for some time. The pressure on prices also seeped through into other market segments. The impact of the recession is particularly marked among our core accounts of medium-sized to large privately-owned businesses. We have traditionally been very strong in this market, serving both national and international clients. The directors/owners and CEOs are often high net worth individuals who have been our clients for many years.

Tax
2011/2012



2010/2011



The solutions we offer these clients are tailored to their business and private circumstances during all phases of their business lives. The services have both a Dutch and an international dimension so that our clients can reap the benefits of cross-border cooperation within our global network. We further consolidated our position in this segment during the year. Through Personal Tax Services we provided them with advice on such matters as estate planning and succession planning. We again recorded growth in our cross-border and inbound markets and in Global Compliance & Reporting. This is a multi-disciplinary service offered by Assurance and Tax to coordinate our multinational clients' global preparation of tax returns and financial statements.

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Creating value in the marketplace

Clients want to be in control

Our service offering is becoming more responsive to globalization and the more complex fiscal climate in which our clients operate. Globalization is increasing the number of very complex high-end cross-border consulting activities, in which our integrated approach supports businesses in all phases of their development. Client needs are changing. We found that many businesses have recruited their own fiscal expertise in recent years.

They are taking on tax specialists on account of their stronger wish to be in control and the often statutory requirement for them to be so. The growth of the Tax Performance Advisory practice complements this trend. Its Tax Control Framework helps tax departments to be in control by offering them robust tax return and reporting foundations, effective protocols and a good fiscal function. This helps businesses satisfy the demands of the tax authorities, for example with regard to horizontal supervision.

Clients who are in control are in a better position to plan. We assist them with our Quantitative Services. Thanks to the rapid advance of digitization, we significantly deepened and widened this branch of our services during the year. We made smart use of the lead taken by our international organization

and applied the available knowledge in the Dutch market. Through the intelligent use of IT, we can analyze client data to pinpoint where errors are made and where improvements are possible. We also identify areas where clients can work more efficiently and optimize their cash management by, for example, streamlining their VAT returns and recovery processes. We apply this methodology in a similar way for corporate income tax and inventory valuation purposes. We are the leader in this area and consolidated our strong position in this market during the year.

At Human Capital we are increasingly providing more than just advice on the taxation of employee benefits. We are also advising on performance and rewards. A good illustration of this is the international benchmarking study of the remuneration of members of parliament that we carried out for the Flemish parliament. We are also providing more strategic advice on global mobility. Globalization is confronting more and more employees who work in several countries with complex fiscal questions. A rapidly growing group is that of short-term travelers: highly-skilled specialists who work in different countries for short periods of time, sometimes only a few weeks. We marketed our tax planning services more firmly around this group during the year.



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Creating value in the marketplace

Growth at Holland Van Gijzen

Our long-term strategic alliance with Holland Van Gijzen Advocaten en Notarissen LLP (HVG) again proved its great value during the year, especially in the fields of tax and assurance. HVG can look back on a good year. It increased its activities, not only in the Netherlands but also in Belgium and other countries. HVG is associated with an international Ernst & Young network with more than 800 lawyers in 19 jurisdictions in Europe. The benefits of this network allow HVG to hold its own among the bigger firms.

Transaction Tax is providing more post-merger advice. In this area, we benefit from our sector and industry knowledge in combination with the expertise available in our other service lines and work closely with Holland Van Gijzen and colleagues at Transactions Advisory Services.

Investing in training and quality

At Tax, too, we are investing in the training and quality of our people. Together with Nyenrode University, we developed a corporate tax training program for staff who have been with us for less than five years. All our people are also expected to work in another sub-service line within Tax in the first three years of their employment in order to widen their professional knowledge and increase their understanding of our organization.

We launched an intensive client service program during the year. It considers the core themes of insightfulness, responsibility and quality. The program matches our ambition of positioning ourselves even closer to the client. Its objective is to convince all members of staff of the importance of fast service of the highest quality. Market research has shown that our clients greatly appreciate this.

Corporate responsibility

Our primary objective, of course, is to serve our clients' interests; at the same time we recognize the need to bear our social responsibility. We act as a constructive partner of government and engage in public debate. This is also reflected in the advice we offer our clients and the greater prominence given to corporate responsibility. We consistently point out to our clients the balance between minimizing the tax cost and corporate responsibility. "Fair share" is high on the agenda of our clients, and our tax specialists actively discuss the consequences for our clients' tax policies.

In April 2012 we organized a seminar entitled "Tax Matters" for female tax specialists at our clients, the Ministry of Finance and the Tax and Customs Administration. Corporate responsibility and fair share were the theme at this seminar. We exchanged know-how with several tax authorities in the EU on horizontal supervision during the year. The Administration is a great believer in horizontal supervision and is exporting the concept to other countries.

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Creating value in the marketplace

Ernst & Young in the Netherlands is the leader in this area and through our EMEIA tax center, in which we have pooled our Dutch expertise, we are promoting the wider adoption of this model outside the Netherlands. We also use our expertise to contribute, along with the other members of the Big4, to public debates on, for example, a shift from tax on labor to tax on raw materials.

Stakeholder dialog

Our large international conferences are very popular among our Dutch clients. Good examples are our international seminars in Singapore and Cape Town and our European seminar this year in Lisbon. Our greatest success is the annual International Tax Services Seminar in New York. It was launched in the 1990s and attracts more than 3,000 participants every year. Several national and international studies were also published during the year. During the past year we launched the EY TaxLaw NL app for Dutch tax professionals. It provides an up-to-date overview of the most common tax laws and regulations in the Netherlands. It has already been downloaded more than 2,000 times. Specifically for the Dutch market, we issue the annual Fiscal Barometer, in which we comment on tax issues and trends. This publication is targeted at the Ministry of Finance, the Tax and Customs Administration and, of course, our clients and other stakeholders. It is an important medium to bear our responsibilities in the public debate.

Our Tax Policy and Controversy Service continuously informs our clients of any international developments in taxation. This service was introduced in the previous year, chiefly to meet the needs of international clients. Our specialists in EMEIA analyze all tax developments throughout the world and clearly map out the potential consequences for our clients. Every month we hold a conference call to explain global developments in, for example, emerging markets. On behalf of our clients, we also maintain national and international contacts with politicians and other authorities to discuss tax matters. We also offer clients international support if there are uncertainties or conflicts with the tax authorities. Our Tax Update Weekly presents the latest Dutch and international tax news. All interested parties, not only our clients, can subscribe to this newsletter free of charge.

We enlarged our think tank meetings during the year. They are made up of specialists in indirect taxes and corporate income tax from the European Tax Center, the EMEIA Desk and other professionals. All these specialists - sometimes from as many as 30 countries - form teams to discuss cross-border tax issues with our clients. This activity, too, illustrates the strength of our global network.

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Advisory

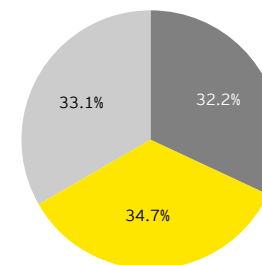
Stronger portfolio to meet client demand

Advisory further strengthened its portfolio during the year. We are reaping the benefits of the growth in our enterprise intelligence services and are continuing to invest in innovating our other services. We have taken important steps to match these services more closely to client demand. During the year, for example, we invested in scenario planning, eXtensive Business Report Language (XBRL), tax diagnostics, social media advisory services, continuous process monitoring, Lean Six Sigma and cloud computing. We also invested in our supply chain management activities by recruiting a new partner. We have identified growth opportunities in enterprise-wide governance, risk and compliance (EGRC), for example by combining internal audits with IT advisory technology. With our market segment approach and global reach we can help clients manage their risks, improve their performance and lock in their results all over the world.

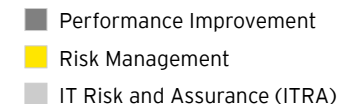
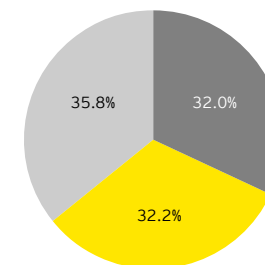
Excellent results in enterprise intelligence

Advisory again had to overcome a challenging year. Still, its revenue increased due chiefly to good performance by specific groups within IT Risk and Assurance (ITRA) in the Netherlands and our Enterprise Intelligence group. Our activities in this area enjoyed strong growth thanks to the acquisition of

Advisory
2011/2012



2010/2011



Partake Consulting. Full integration of Partake into our service offering has given us a lead in business intelligence based on Hyperion, SAP and IBM/Cognos packages. We are now the market leader in the Netherlands, Belgium and France. Through the combination with Partake, we can make companies and organizations smarter and we are setting the tone in the enterprise intelligence market. ITRA is working increasingly closer with our other service lines, reinforcing our integrated offering and generating engagements that we otherwise might not win. The acquisition of Partake has proven to be a success.

Fewer engagements in Risk Management and Performance Improvement

Revenues in the two other sub-service lines, Risk Management and Performance Improvement, have increased too. The deterioration in economic conditions prompted many large clients to postpone major advisory projects or carry them out themselves.

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This downturn was particularly pronounced in the fields of finance transformation and supply chain management. A substantial proportion of our advisory practice is targeted at the large group of small and medium-sized enterprises. In this segment, too, prices came under pressure, in part from increased competition. Performance Improvement saw a particularly steep fall in the number of engagements and strong pressure on prices.

Sharper public sector focus

The downward trend seen in public sector engagements in recent years came to a halt in the past year. We focused on finance transformation in the public sector and even won more engagements from provinces, municipalities and government institutions, chiefly by responding to the trend towards decentralization and sharpening our focus on local authorities. We refined our approach to the healthcare sector and strengthened our position in this market. We carried out several very successful Lean Six Sigma projects in the healthcare market during the year. We also identified promising growth opportunities in the education sector.

Market calls for strategic decisions

We took a number of strategic decisions during the year to cope with the difficult market conditions, which we expect to continue in the foreseeable future. Firstly, we decided to give higher priority to IT offshoring. Through our Global Talent Hub in India, we can offer both IT services and high quality risk management, benchmarking and process analysis services. Offshoring also has efficiency benefits. We optimized the composition of our staff. Even in the current market conditions, we must continue to recruit and retain the right people. To increase our staff diversity, we have taken on new people, especially for ITRA. Furthermore, we again made substantial investments in our advisors in the form of training, knowledge transfer and knowledge management. We also ensured that both our remuneration system and our fees remained competitive. We achieved the latter by streamlining our processes. Thirdly, we exchanged more specialists within EMEIA in order to deepen cross-border cooperation. We operate as the most integrated advisory practice in the world and apply the same methodology globally. Thanks to our international organization we can quickly mobilize our staff and deploy the right people on the right projects, at the right place and at the right time. We seconded a number of our own people to the international centers of excellence during the year. Our international scope and our ability to select the right specialists to serve our clients are distinctive features of our organization. We will build on the benefits by making more intense use of our EMEIA centers of excellence in, for example, supply chain management, IT Transformation and Information Security.



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Growth in corporate responsibility engagements

Our corporate responsibility activities developed strongly during the year. We developed a CR maturity scan for hospitals and a strategic awareness approach for clients in the agricultural sector and consumer products industry. Integrated reporting is an issue which we developed with our colleagues from Assurance.

Stakeholder dialog and thought leadership

In the past year we organized CFO roundtables, seminars, workshops and other client get-togethers. We also carried out several studies within the EMEIA organization. These international studies were tailored within the Dutch organization to meet the local market conditions. In October, we issued our 14th annual Global Information Security Survey, in which we considered the business risks of social media, mobile devices and “the cloud”. In early 2012 we published a report entitled “How will consumers communicate in 2020?” Based on interviews with many international telecoms experts, it presents scenarios to help our clients make strategic decisions.

We also carried out studies specifically for the Dutch market. At the Government & ICT fair in April 2012, we presented our report, “Technical advance: pitfall or gold mine?” The study was carried out to provide the public sector with an insight into the opportunities and risks of advances in ICT and the concomitant greater need for ICT security in the public sector. In March 2012 we interviewed 934 civil servants about the impact of social media. Our ICT Barometer, which is now ten years old, is also producing more and very valuable insights. It is based on an online survey of, on average, 600 directors, managers and professionals from industry in the Netherlands. We also developed an app for clients to access the ICT Barometer.

All in all we invested a lot in innovation for the benefit of our clients. The spin off from investments in our European Advisory Centers of Excellence really paid off. Our international focus will continue to be our strategic direction. A good example of this is our Coaches of Industry campaign, where we used an interactive management game together with top class sports coaches to hold an interactive discussions with our clients. This initiative provided new insight into their strategies, growth plans and teaming and was highly appreciated by our clients.

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Transaction Advisory Services

Corporate capital agenda services

Our services cover all elements of the corporate capital agenda. We concentrate on four themes: capital retention, capital maximization, capital raising and capital investment. We provide companies with integrated advice in all stages of their economic life cycle in order to optimize the application and use of capital.

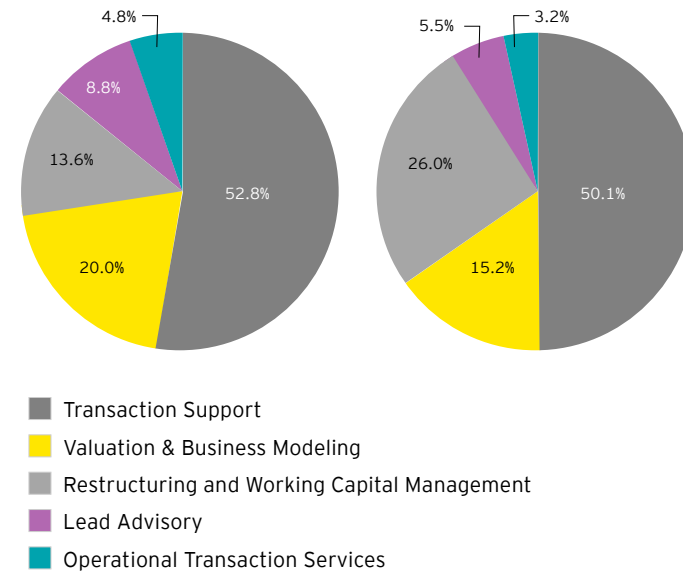
A powerful international network

Like the other service lines, Transactions, too, benefits from the strength of the international network. With its extensive reach, the EMEIA organization makes all the difference for our clients. We work in international teams with leading specialists from all over the world. Through close cooperation with our colleagues outside the Netherlands, we manage to find unexpected partners for our clients and devise unique and creative solutions. Our clients benefit from our strong, global, multidisciplinary teams that offer all-round support in national and cross-border transactions. We made investments during the past year to draw these ties even closer.

Transaction Advisory Services

2011/2012

2010/2011



Continued growth

Despite the persistently uncertain business environment, revenue increased during the year. The previous 12 months had been a year of building and deepening. We strengthened and expanded our activities across the board, in part by introducing new expertise. We clearly reaped the benefits last year. Our integrated service offering is meeting our clients' needs in both good times and bad.

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Creating value in the marketplace

Capital retention top priority for Dutch clients

Uncertainty is forcing our Dutch clients in particular to concentrate on capital retention. They have to solve their problems at a time of weakness on the home market. We accordingly carried out more restructuring and working capital management engagements during the year. On the insistence of their banks, many businesses have to satisfy stricter financing criteria and improve their debt positions. We help them with their financial challenges and in their contacts with banks. At the same time, we help banks deal with exceptional credit files.

Capital maximization by streamlining processes

We help clients make the most of their capital by streamlining their processes. Our services range from financial restructuring to tax planning and all related issues. We also help our clients streamline their decision-making processes and develop decision trees so that they can base their decisions on the right information. We provide many Valuation and Business Modeling services in this area.

Our Operational Transaction Services team is also playing a prominent role in the process of capital maximization. This team was set up just two years ago, with five more people being added during the past year. It specializes in the integration of acquisitions and realization of synergies, one of the greatest challenges in an acquisition. This matches our clients' ambition of putting their houses in order: businesses are doing all they can to maximize efficiency gains and make optimal use of their capital.

Focus on IPO readiness

There were very few IPOs and capital issues during the year. However, there is a clear trend of businesses concentrating far more on preparation. As they require independent advice during this phase, we carried out a growing number of IPO readiness engagements. We helped a large number of clients prepare for IPOs so that they can raise capital by floating the business or a business unit as soon as market circumstances are appropriate.

Transaction support: two pillars

Our service offering for capital investments rests on two pillars. The first is to advise on transactions. As in the previous year, there was an increase in the number of transactions by non-resident parties last year. Thanks in part to the cheap euro, non-European investors are very interested in Dutch businesses. More and more American and Asian parties want to invest in the Netherlands. We are also seeing more Latin American investors entering the market to gain the know-how and the infrastructure they need for further expansion in Europe. Our Dutch clients, by contrast, are more hesitant at home on account of the difficult economic circumstances, but are making more investments in growth regions outside Europe. The second pillar consists of engagements won from businesses that are preparing for a successful disposal. Good preparation is key to deal certainty and maximum returns. In this area, we also support our clients through the Operational Transaction Services sub-service line.

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Creating value in the marketplace

Increase in activities

We continued to grow our Lead Advisory practice during the year. We focused our activities on growing medium-sized businesses (SGM, Strategic Growth Market). The strategy is bearing fruit. We succeeded in strengthening our position by focusing more sharply on the market and specific industries. We made targeted investments in the Technology/Telecommunication, Media & Entertainment, Healthcare and Retail market segments. We also worked closely with Real Estate Advisory Services. Although there has been a sharp increase in leads, the number of actual transactions is still being held back by the weak market sentiment.

Our Private Equity activities have been relatively modest for many years but the situation is now changing. In line with the growing market, we enlarged our dedicated Private Equity team. By offering our clients a central contact point in combination with our international network, we are an attractive party for Anglo-Saxon players operating in the Netherlands and for Dutch private equity companies.

Stakeholder dialog and thought leadership

During the year we invested in strengthening our networks of transaction professionals and organized several general seminars. We also hosted a variety of workshops for specific client groups, such as private equity managers, tax directors, corporate development officers and heads of M&A. We actively sought out clients to discuss particular issues with them. Our international study, *Growing beyond borders*, provides pointers for our clients to structure their acquisition strategies. Further to the report, we issued an attractiveness survey on Africa and then brought African colleagues and clients together to discuss investment in the continent. We also made full use of the various knowledge centers and provided international studies to our clients. As part of EMEIA, for example, we publish the *Capital Confidence Barometer*: a quarterly survey of CFOs, CEOs and heads of M&A of their confidence in the economy and the implications for the M&A market. For our stakeholders in the private equity market, we published our sixth annual survey of how private equity investors create value. It considered the exits in 2010. In the spring of 2012, we published our *Global private equity watch*.



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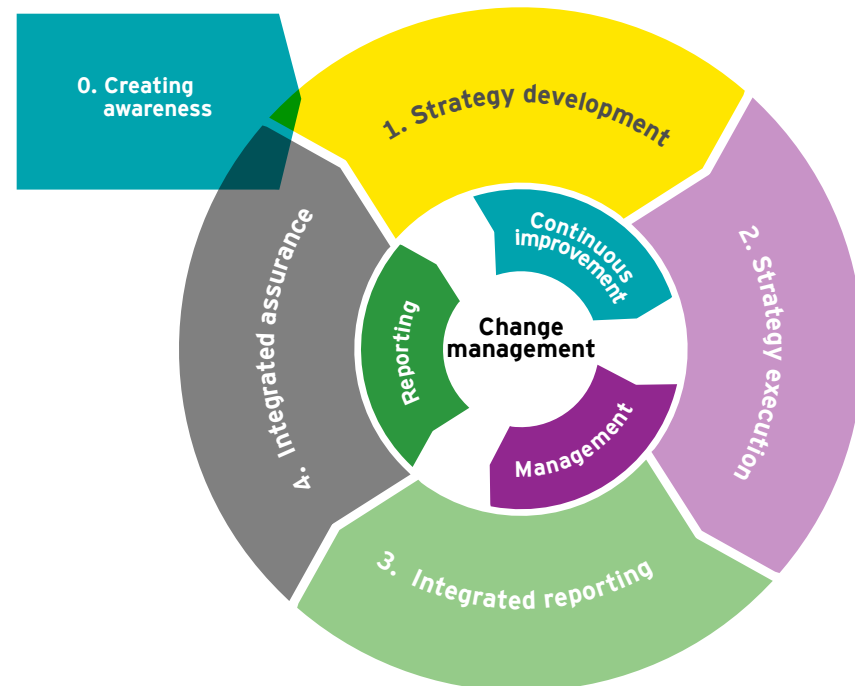
OUR MARKET APPROACH TO CORPORATE RESPONSIBILITY

We focus on:

- ▶ **entrepreneurship:** adding value to the marketplace and supporting sustainable growth business-models
- ▶ **employees:** good employment practices
- ▶ **environment:** reducing the ecological footprint
- ▶ **community engagement:** sharing know-how and skills with society

We defined our goals in eight key performance indicators (KPIs) and rolled them out across the organization. These goals are summarized in the table on the right.

Compared to last year we have refined our targets in relation to entrepreneurship and flexible working.



Creating value in the marketplace

Ambitions and objectives

CR Aspect	Ambition	KPI	KPI description	Objective
Entrepreneurship	Support clients in their journey to sustainable entrepreneurship by ensuring that CR is reflected in our core business services and product solutions portfolio.	1	Major accounts of EY the Netherlands to whom any CR service has been proposed during the fiscal year compared to the total number of major accounts.	Target: 10% in FY11/12 50% in FY15/16
	Create Thought Leadership.	2	EY seminars	At least 60 seminars per year
			External publications	At least 15 CR related publications per year
			Professorships	At least 10 professorships
Employees	Work environment: promoting personal vitality.	3	Employees participating in Fit4theJob : ► Intake ► Training	► 90% of annually available places ► 80% of annually available places
			Partners participating in Top Performer Program : ► Intake ► Training ► Outtake	► 95% of annually available places ► 95% of annually available places ► 85% of annually available places
	Work environment: enabling Diversity & Inclusiveness.	4	Female participation: ► Senior managers ► Directors ► Partners	In 2012/2013: ► 30% of senior managers ► 20% of directors ► 12.5% of partners
	Work environment: stimulating flexible working arrangements.	5	Office space	In 2014/2015 30% reduction in comparison to start date 1 July 2011
Environment	Monitor and reduce our carbon footprint with focus on green mobility and greening our offices.	6	Absolute CO ₂ emissions.	In 2012/2013 25% CO ₂ reduction in comparison to 2008/2009
	Embed environmental sustainability in our central procurement.	7	Suppliers that have signed our Supplier Code of Conduct.	90% in 2013/2014
Community Engagement	Contribute to community engagement initiatives through volunteering, pro bono work and donations.	8	Hours spent on focus Community Engagement Organizations.	9,000 hours in 2012/2013 (cumulative since 2010/2011)

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Creating value in the marketplace

KPI	KPI description	Objective	Realisation in 2011/2012
1	Major accounts of EY the Netherlands to whom any CR service has been proposed during the fiscal year compared to the total number of major accounts.	Target: 10% in FY11/12 50% in FY15/16	18%



Entrepreneurship

Sustainability integrated into our service offering

As a knowledge-based organization, our key role is to support our clients in their journey towards responsible entrepreneurship and in creating economic, social and environmental value, overcoming the challenges en route to the future. We believe in an integrated approach to corporate responsibility and work to embed the concept in all our core services and our operational activities. By combining our knowledge of corporate responsibility with our expertise in - for example - reporting, internal control, risk management and strategic information management, we can help our clients achieve long-term sustainable growth.

In order to raise awareness about the sustainability challenges ahead, the risks and opportunities for our clients and the changes in our service offerings to support our clients, we held a number of meetings and webcasts with our professionals during the year. We also included the topic in our summer courses, as well as in more specific trainings for our employees.

Sustainability business excellence model

We have developed a model to help clients introduce and implement sustainability within their organizations. It is composed of four phases. After a period of awareness raising in their organisation, we help clients adopt a strategy and integrate it into their operations.

Our services include advising on the implementation of a performance measurement system, including risk analysis. We then show clients how to prepare transparent reports and provide assurance on financial and non-financial KPIs.

By integrating CR into our service offering, we can help clients turn risks and challenges into opportunities, revenue and lower costs. The catalyst of our integrated service is the multidisciplinary Climate Change and Sustainability Services team. It combines all the core skills in the fields of Assurance, Tax, Advisory, and Transactions Advisory Services

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Creating value in the marketplace

Key information provided by an Activity-Based Environmental Footprint Model

The Activity-Based Environmental Footprint Model developed during the year is an example of an existing concept adapted to address the aims of CR. The model is based on the activity-based costing concept and is used to quantify the use of natural resources in various activities. It then becomes possible to develop alternative scenarios which reveal the environmental effects of certain decisions. The model also allows financial parameters to be included, thus establishing a direct link between sustainability and costs. Using the model, it is possible to calculate the effects of a transition to green electricity, both in terms of costs and carbon emissions. The model facilitates the production of integrated reports for both internal use and external publication.

Environmental footprint model



Report of the Board

Creating value in the marketplace

Promoting and fostering entrepreneurship and growth

Entrepreneurs make a difference in our society. They have good ideas and, moreover, the drive to make them come alive. With their fresh look and hard work, they are a source of positive social change, bringing new concepts and products to the market and creating jobs and prosperity. Ernst & Young has been aware for many years of the potential of entrepreneurs and their contribution to economic and social progress. We are fully committed to promoting and fostering entrepreneurship and thus contributing to a sustainable economic growth.

Global reach and local touch

By establishing and opening up our network and sharing our knowledge, we are putting our social involvement and our ambition of encouraging business into practice. Our global network in all conceivable sectors enables us to put our clients into contact with potential partners throughout the world. It is not uncommon for it to create very valuable contacts. In March 2012, for example, we took a group of entrepreneurs from the Entrepreneur Of The Year program to South Africa to train them in "doing business in Africa" and introduce them to peers outside their own networks. We also took a group of entrepreneurs to the Middle East so that they could discuss business with local players. Our Strategic Growth Forum brings together businesses in different stages of their economic life cycles from across the world, from major multinationals to innovators. We do the same in the Netherlands on a regional scale.

We create value for our clients by standing close to them and actively participating in their business settings. Many of our clients are owners/managers and family-owned businesses that benefit from an advisor who acts as a counselor and sparring partner. Our advisors have the drive and ambition to put the client first by going the extra mile and growing with the client.

We are approachable and invest in networks by maintaining contacts with all regional stakeholders, such as public authorities, knowledge institutions and business networks. In Eindhoven Brainport for example, we are making an active contribution to initiatives that support innovation in sectors such as High Tech Systems & Materials, Automotive and Food & Technology. By linking our clients to each other in these networks, we encourage the exchange of knowledge and innovation. We regularly organize network meetings to discuss a wide range of themes. Clients prefer a sparring partner who consistently comes up with new ideas and has the right value proposition. Again, in Eindhoven Brainport we developed the EYnovation initiative to advise small businesses with a background in innovation. Many of the businesses are start-ups with limited budgets. We relieve them of their burdens and make it easier for them to do business. By avoiding unnecessary risks, the entrepreneurs can concentrate on R&D and marketing, and grow their businesses. We take a proactive stance and work with multidisciplinary teams. Every year, we determine what our clients can learn from successful businesses in our network that are already in the next growth phase.

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Creating value in the marketplace

Entrepreneur Of The Year program

The Entrepreneur Of The Year program has been a springboard for our dialog with the market for many years and seamlessly aligns with our network philosophy. It forges relationships with and between enterprises. In the Netherlands, the title Entrepreneur Of The Year is recognized as a prestigious business award, recognizing (young) entrepreneurs who manage to get the best out of themselves and their business setting - something that we ourselves strive to do. Sustainability criteria were taken into account for the first time last year. There are three categories for businesses in different phases of their economic life cycles: Emerging Entrepreneur Of The Year (for entrepreneurs who have been active for less than ten years), Accelerating Entrepreneur Of The Year (growth accelerators) and Master Entrepreneur Of The Year (proven market leaders). The winner in each category is selected by means of a number of elimination rounds, a visit to the company concerned and extensive deliberation by an expert panel of judges. The winner of the Master category goes on to compete for the title World Entrepreneur Of The Year, which is awarded annually to the very best of the winners of the fifty national contests. The presentation ceremony is held in Monaco. We have been organizing the competition in the Netherlands for the past 16 years. It has given rise to a very extensive international network - the Ernst & Young Entrepreneur Of The Year Society - of which all finalists automatically become members.

Coaches of Industry

We launched our Coaches of Industry program for Dutch companies during the year. It embodies Ernst & Young's vision of how to foster enterprise. It also complements our partnership with the Dutch Olympic Committee and the Dutch Sports Federation, NOC*NSF. Together with five top class coaches, Leontien van Moorsel, Co Adriaanse, Joop Alberda, Max Caldas and Maurits Hendriks, we want to get the best out of Dutch business. Directors of Dutch businesses can win a day with one of the coaches to turn their potential into even better performance. These five top coaches - each with their own individual style and vision - show organizations and companies that emotional, mental and physical fitness is key to performing more effectively and achieving better results. We selected 22 companies to spend one day with one top coach and EY top management. This EY initiative is aimed at CEOs and senior management and strives to support participation in sport as well as supporting the Olympic Plan 2028's goal of increasing wellbeing. We have already held three successful sessions. In May we organized a coaching day for students, at which they could win tickets for the Olympic Games in London.



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Creating value in the marketplace

KPI	KPI description	Objective	Realisation in 2011/2012
2	EY seminars	At least 60 seminars per year	Total of 176 seminars of which 59 seminars CR related
	External publications	At least 15 CR related publications per year	23 CR related publications
	Professorships	At least 10 professorships	10 professorships

Thought leadership

Thought leadership is essential to achieve our ambitious CR goals. We assume our responsibility by actively working on the development of research studies and standards and guidance that support responsible entrepreneurship. We are involved in key committees dedicated to improving transparency on financial and sustainability policy, management and performance. These include our participation in the International Accounting Standards Board (IASB) and the International Federation of Accountants (IFAC). More in relation to sustainability we participate in the Transparency Benchmark, the Global Reporting Initiative, and the reporting experts group of the United Nations. We were involved in the development of IFAC standard for greenhouse gas emissions. Furthermore, we support the Prince of Wales's Accounting for Sustainability project, which recently co-founded the International Integrated Reporting Council (IIRC) with GRI and IFAC. We actively participate in the pilot program of the IIRC to support the development of a framework for integrated reporting. Our involvement in these organizations benefits not only our own organization, but also our sector and society as a whole. In the Netherlands, Ernst & Young is a corporate partner of CSR Nederland, Business and Society, and several Corporate Responsibility network organizations.

To promote sustainable growth business models we facilitate the Dutch Sustainable Growth Coalition (DSGC) that was launched by a group of eight Dutch multinationals during the fiscal year.

This initiative aims to provide further impetus to business growth that links financial and economic results with environmental and social returns. The Coalition strongly believes that the sustainable growth business model is the business model of the future. The DSGC is chaired by Jan Peter Balkenende.

Research and education

We continue to take an active part in research and education with a view to developing and disseminating knowledge about entrepreneurship, accounting, tax, governance and sustainability. We encourage our staff to affiliate themselves with a university or higher education program are closely involved in a number of graduate and postgraduate programs such as those offered by Erasmus University Rotterdam, Tilburg University and the University of Groningen. We believe it is crucial for students to combine academic knowledge with practical experience and welcome various students as interns and trainees on an ongoing basis.

At the end of this fiscal year we entered into a joint research partnership on external reporting and corporate governance with the Erasmus School of Economics.

Report of the Board

Creating value in the marketplace

More specifically in relation to CR, Jan Peter Balkenende is a professor of Governance, Institutions and Internationalization at Erasmus University. Earlier Nancy Kamp-Roelands developed a postgraduate program for the Erasmus University that focuses on CR management and auditing. She is now a member of the board of governors of this program. Nancy is a visiting professor at Strathclyde University, Scotland. Dick de Waard is a professor auditing at Groningen University with a special focus on integrating sustainability in the curriculum. The universities Ernst & Young is involved in devote much attention to the integration of non-financial CR information into both reporting procedures and the assurance itself. Overall, more than a dozen Ernst & Young partners hold chairs at universities inside or outside the Netherlands.

Through research we want to stimulate client awareness of the opportunities offered by sustainability. Examples of our publications are: CR verslag, Duurzaamheid in real estate, ICT Barometer, Integrated Reporting & Assurance, MVO als business driver and Belastingstrategie heeft morele dimensie.



Stakeholder dialog

We actively share our knowledge with our clients and other stakeholders, in part by organizing seminars, courses, luncheon meetings and workshops. We think it is important to present ourselves as an open organization that disseminates knowledge and discusses relevant themes with our stakeholders for the benefit of our stakeholders.

A good example is the Hofstad lecture ("Hofstadlezing"), an intellectual platform for decision-makers from both the public and the private sector to discuss pressing issues in society.

EYXchange online knowledge platform

This fiscal year we introduced the EYXchange online knowledge platform: a digital platform to share knowledge by and for entrepreneurs. Articles, short films and study results posted on www.eyxchange.nl consider the challenges facing businesses. Entrepreneurs can provide their own input and join in the discussion both on the website and on LinkedIn and Twitter. The site provides articles on topics for start-ups to market leaders, knowledge on how to prepare for a public offering, succession at a family-owned business, private equity and raising capital. Entrepreneurs can respond to the articles, discuss them and even raise their own issues. We approach our clients by sector and stand close to them in the region.

Report of the Board

Our people culture

KPI	KPI description	Objective	Realisation in 2011/2012
3	Employees participating in Fit4theJob: ► Intake ► Training	► 90% of annually available places ► 80% of annually available places	89% of annually available place 59% of annually available place
	Partners participating in Top Performer Program : ► Intake ► Training ► Outtake	► 95% of annually available places ► 95% of annually available places ► 85% of annually available places	93% of annually available place 80% of annually available place 4% of annually available place
4	Female participation: ► Senior managers ► Directors ► Partners	In 2012/2013: ► 30% of senior managers ► 20% of directors ► 12.5% of partners	22.5% of senior managers 11.2% of directors 10.8% of partners
5	Office space	In 2014/2015 30% reduction in comparison to start date 1 July 2011	1.0% office space reduction

HUMAN RESOURCES

It is the people in our knowledge organization, their professionalism, personality, competences, values and integrity, that determine the quality of our services. Good employment practices are self-evidently an essential aspect of our business. They enable employees to perform to the best of their ability and allow us to attract and retain the right talent. We identified four priority areas.

- **Learning & Development (professional and personal development)**
- **Diversity & Inclusiveness**
- **Vitality**
- **Employee Engagement**

Within these focus areas we have selected key performance indicators to be able to measure our contribution to the vitality of our employees, the flexibility of working and the diversity and inclusiveness in our workforce.

Report of the Board

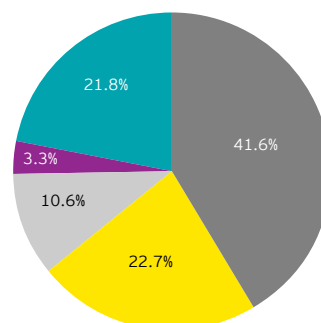
Our people culture

Keeping the organization in balance

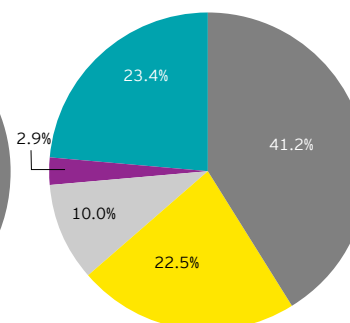
From an HR position, the fiscal year 2011/2012 was an eventful year. It is particularly difficult in a poor economic climate to rise to the challenges of keeping the organization in balance, ensuring we retain the right staff and attract good people while keeping a critical eye on quality, which also means we have to let go of people who do not meet our quality standards. In addition to further quality improvements, we concentrated on workforce management, striking the right balance between the number, structure and composition of the people within the organization and the amount of work. At the same time, we must ensure that the workplace remains attractive for the staff and create the right environment for young people to develop their skills and forge a career. To take the organization forward, we continued to invest in training and offering opportunities to talented people.

The average number of employees (staff) during the year was 3,811 FTEs, including 232 partners, in comparison with 3,739 people including 234 partners in 2010/2011. On balance we hired 74 FTE staff, while 2 partner FTEs left.

Staff by Service Line
2011/2012



2010/2011



- Assurance
- Tax
- Advisory
- Transaction Advisory Services
- Support staff

Key figures Employees (including partners)	Unit	2011/2012	2010/2011
Client serving and support staff	FTE	3,579	3,505
Partners	FTE	232	234
Total	FTE	3,811	3,739
Part-time/full-time	%	22.5/77.5	25.6/74.4
Average years of service	years	8.4	8.3
Average age	years	35.5	34.9

Report of the Board

Our people culture

Learning & Development

Our learning and development expenditure for the year increased to € 11.9 million (€ 3,121 per FTE). Particular attention was again paid to quality, communication and professional and critical mindsets.

We launched a dedicated career development platform for our people several years ago: EYU, which stands for Ernst & Young and You. It is a holistic approach that combines learning, experience and coaching so that our people can take ownership of their own potential, whether social, emotional or professional, and of their own personal well-being. EYU encourages people to improve their performance and optimize their career opportunities. It seeks to develop knowledge, skills and competences by offering learning opportunities and connecting them to on-the-job experience stimulating a coaching mindset that applies to every employee's daily interaction with clients, colleagues and superiors. Corporate responsibility is often already a part of EYU.

Learning & Development

	Unit	2011/2012	2010/2011
Total expenses	€ 000	11,893	11,686
Expenses per FTE (including partners)	€	3,121	3,126
Number of reported training hours in EY Leads	hours	126,669	128,625

Our global organization makes all the difference not only for our clients but also for our staff. We encourage employees to gain experience across service lines, sectors and geographical locations at home and abroad. Our focus on international mobility offers staff yet another opportunity to develop their talents. During the year, 55 employees took up a posting abroad within the EY organization while 23 people from other countries spent time working in the Netherlands.

Many of our training programs are international by nature. During the year, we again organized a number of milestone events for staff who had been promoted to a certain level within the organization, such as senior staff, manager or senior manager. Multi-day milestone events were attended by hundreds of staff from all over the world. They are appreciated as extremely inspiring and motivational experiences, greatly contributing to the sense of unity and the international character of our organization. In this respect, too, CR has become an important criterion in our choice of venues for EMEIA milestone events. We included CR in some of the EMEIA milestone events as we are keen to grow awareness further across the area.

Report of the Board

Our people culture

Diversity & Inclusiveness

We would like our people to reflect the diversity of talent available in society at large. Our clients rightly expect this of us. In recent years, we have successfully increased the number of women in senior positions. In 2005, only 3% of our partners were female. In the fiscal year 2011/2012, the figure was 10.8%. To retain our female managers, senior managers and directors, we offer individual support in their personal and professional development through our Career Watch program, with mentoring and coaching from experienced partners. During the year, Women's Leadership programs took place at national and EMEIA levels. To reduce staff turnover, we have taken measures to facilitate a good work-life balance. We set firm targets to increase the number of women in senior positions by the end of the fiscal year 2012/2013: 12.5% of partners, 20% of directors and 30% of senior managers. The nine-headed Board of the BeNe Sub Area has two female members. In the fiscal year 2011/2012 we sponsored the first edition of The Women's Conference Europe. It was attended by more than 700 people - mostly women - from different cultural backgrounds. Ernst & Young's presence included female clients and EY women from the Netherlands and Belgium. We saw our efforts in the field of diversity and inclusiveness rewarded during the year when we received the Direction Diversity Award 2011 at the fifth Diversity Congress.

Diversity by gender		Unit	2011/2012	2010/2011
Male employees	years of service		8.6	8.6
Female employees	years of service		8.2	8.0
Female partners	%		10.8	9.6
Female directors	%		11.2	9.8
Female senior managers	%		22.5	20.1
Female managers	%		32.1	35.0

<21 year		21-30		31-40		41-50		51 and older		Total	
Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
0.4%	0.8%	16.2%	25.8%	13.1%	16.2%	7.7%	9.6%	4.1%	6.1%	41.5%	58.5%

We also launched the EveryWoman network in the Netherlands and Belgium during the year. It is a platform for all professional women's networks to reflect, connect and inspire under the slogan "Stronger Together". As part of the network, the Women's Conference Europe highlighted the strength of women in business, politics and the public sector.

Diversity is not only about the ratio of men to women but also about the proportion of employees with a non-Dutch ethnic background. They, too, can use the Career Watch program. To flesh out this part of the Diversity & Inclusiveness policy, a multicultural debate evening was organized to kick-start a multicultural network as a platform for a more balanced workforce from a true Diversity & Inclusiveness perspective.

Report of the Board

Our people culture

Vitality: Fit4theJob

We make high demands on our people and offer them opportunities to grow and get the best out of themselves. We invest in specific programs to promote a healthy, dynamic and safe environment. During the year we invested € 197,000 in staff wellbeing and health. At the heart of the investments is our Fit4theJob vitality program. During the year 198 people took part in it. In total more than 700 have participated so far and our aim is to have all our employees take part. Fit4theJob consists of a health questionnaire, a health check, training sessions and workshops on such themes as sleep, diet, relaxation, physical exercise and coping with stress. Through our intranet, participants can access information, measurement tools and support from our health expert. They can also take part in the sporting events organized by various offices.

Coaching is a very important part of our people strategy to develop personal skills. Coaches are vital to our organization. They are mentors for new colleagues and often carry out performance reviews. To complement our Fit4theJob program, we introduced the Fit2Lead program during the year to enhance coaching skills. We gave it a special touch by linking the Olympic Games with our "Boat to London" program. Our staff could nominate their "top coach", a colleague they can always turn to for guidance and advice.

Vitality

	Unit	2011/2012	2010/2011
Fit4theJob employees	%	5.3	14.9
Top Performer Program partners (cumulative)	%	56.3	42.2

The program produced 25 winners who went to the Olympic Games in London. They also took part in a coaching workshop and followed a Fit2Lead training course until London to become true "top coaches".

We launched a pilot program called Top Parent to help young mothers and fathers re-find their work-life balance after childbirth. The pilot was a success; participants gave it a score of 8.3 (on a scale of 0-10). The program is hands-on and looks at changes in physical, emotional and mental well-being.

Fit4theJob is an extension of the Top Performer program for our partners. Some 56% of our partners have taken part in this program, which is now four years old. Its strength lies in changing behavior and circumstances that impact on health, ability to cope with stress and energy management. Under the guidance of elite athletes, the participants find a better balance within six months and their vitality is higher in all respects. The feedback shows that 85% feel fitter, 59% report improved concentration at work, 68% have more stamina and 68% have a better work-life balance.

Diets are also part of our vitality program. We provided free fruit and healthy food in the organization. We saw a marked increase in the consumption of both fruit and healthy food in our restaurants during the year.

Report of the Board

Our people culture



Workplace of the future: a new style of working

Flexi-working is key to the long-term employability of our people. We believe that giving people the freedom to organize their own day and to work flexible boosts their motivation and job satisfaction and improves their output. It helps them combine the different roles that make up their lives, reduces stress, improves productivity and lowers our environmental impact if we travel less. We already offer our people several options, including part-time working and home working. We provide study facilities and staff can take unpaid leave for a career break.

Technological advances are also facilitating flexi-working. Flexi-working is not yet fully institutionalized within our organization. The structured introduction of flexi-working requires a redesign of the physical workplace, the organizational structure, culture, management style and, not least, staff and management attitudes. A program, "Workplace of the future" is being drawn up to guide staff and managers through the change process and support them in this new style of working.

In addition to flexi-working, we are looking at how we can make the value of our overall employee benefits package more transparent and flexible and how we can make the remuneration structure more competitive.

Due to our vitality program and the other steps we have taken, we try to optimize our working conditions as much as possible. The rate of sick leave was reduced to 3.3% in the fiscal year 2011/2012 (2010/2011: 3.4%).

Employee engagement

The great importance of constructive dialog with our people is reflected in our well developed employee participation structure. The Works Council is made up of 19 directly elected members and, on average, meets eight times a year. Guests can be invited for specific issues. Flexi-working was such an issue last year; the Works Council was consulted at an early stage to provide input for the concept. The People Leader maintains contacts with the Works Council on behalf of the Board.

Dialog is also a key aspect of the annual performance reviews. The staff provide input before the reviews begin. They can also receive feedback from their colleagues (peers) and people who report to them (subordinates). The managers discuss this input in a Review Committee and use it to form an opinion. The Review Committee is made up of people who are not as directly involved as the peers, and counselors who represent the staff. At Ernst & Young, reviews are not a one-way exercise but a measured, mutual relationship.

Report of the Board

Our people culture

We invested in the managers' counseling skills in the fiscal year 2011/2012. We enhanced their leadership and coaching abilities by carefully selecting and training them and constantly investing in their competences.

Our people again organized a number of CR Get-Together meetings during the year to strengthen staff commitment.

We carry out a Global People Survey (GPS) to measure staff satisfaction every two years. We also take the People Pulse every other two years. It asks ten questions to check staff well-being. The response rate last year was 63%. In the People pulse, engagement scored 69% in May 2012, up from 65% in the previous pulse.

The Global Code of Conduct sets out our organization's standards and values. It is a framework of ethical rules and behavioral guidelines that govern how we work with each other and with clients and other parties, our professional integrity, our objectivity and independence and our intellectual capital. It underpins all our decisions. The Global Code of Conduct is available on our website. Our whistleblower scheme allows staff to confidentially report conduct that might be unethical, unlawful or incompatible with our professional rules or Code of Conduct.

Report of the Board

Environment & Society

KPI	KPI description	Objective	Realisation in 2011/2012
6	Absolute CO ₂ emissions.	In 2012/2013 25% CO ₂ reduction in comparison to 2008/2009	27.3% CO ₂ reduction
7	Suppliers that have signed our Supplier Code of Conduct.	90% in 2013/2014	89.4% of suppliers

Based on a baseline measurement in the fiscal year 2008/2009 to obtain clarity about the environmental impact of our operational activities, we concluded that we should focus on adjusting our policy primarily around mobility, greening our offices and procurement. Although our operational environmental impact is relatively small in comparison with companies in other sectors, we strive to reduce our ecological footprint and improve our programs. Like other organizations in the professional services industry, our ecological footprint is due almost entirely to staff travel and office energy consumption.

We reduced our environmental impact in both areas during the past fiscal year. Furthermore, we devoted considerable attention to increasing awareness of environmental responsibility, to greening our procurement policies and to the sustainable use of facilities. In total, we have reduced our CO₂ impact (compared to baseline 2008/2009) by 27.3%.

CO₂ footprint due chiefly to travel

The baseline assessment in 2008/2009 found that our total CO₂ emission was 25,316 ton. 58% (14,713 tCO₂) was emitted by cars. The total number of lease cars at the end of the fiscal year 2011/2012 was 2,317. The fleet has been “greened” since 2011 by leasing only cars with an energy label of between A and D. Our financial incentive scheme to reduce CO₂ emissions was further tightened up for all our lease car drivers during the year.

In early 2012 we further tightened up our car leasing scheme both for employees and partners and took seven electric cars into service in the Netherlands and concluded lease contracts for a further 10 electric cars. Where possible, we encourage the use of public transport. Lease car drivers also have an NS Business Card that they can travel by train for business purposes. The volume of car fuel used for business purposes was 5,488 million liters, 1.8% less than in 2010/2011.

We checked the tire pressure of 1,536 cars during the year. Of the cars checked, 57% had soft tires; the Ernst & Young fleet was therefore better than the national average of 63%. Checking and setting the right pressure in 6,144 tires reduced CO₂ emissions by 24.6 tonnes and cut the emission of particulates. The benefits also include fuel savings and reduced tire wear, producing a financial saving of more than € 22,506, on average € 14.65 per car. Two results that are not directly measurable but are nonetheless important are the increased awareness of needing the right tire pressure and improved road safety.

Key figures Environment

	Unit	2011/2012	2010/2011
Travel by car*	1,000 liters	5,488	5,590
Travel by train	1,000 km	2,506	2,253
Travel by air	1,000 km	20,443	22,271

* Also includes private mileage by authorized lessees.



Report of the Board

Environment & Society

To further reduce the volume of car fuel, we have fitted video conferencing facilities in several offices and we encourage home-working. To make our people aware of their driving habits, as from the end of 2012 every member of staff will receive an annual statement of kilometers driven and the resultant CO₂ emission. The CO₂ emission of lease cars during the year fell by 4.0% to 12,699 tCO₂.

Our staff booked 8.2% fewer airplane tickets during the year (2010/2011: 13,518).

Sustainable office policy

All our main offices have been labeled and certified to gain an insight into how we can optimize our energy consumption. The switch to green energy was also significantly accelerated. A lot of our offices now buy green energy. In 2011/2012 energy consumption at our offices accounted for 14.3% (2,627 tCO₂) of our total CO₂ emission. Further energy saving measures will be taken this year in the field. The Quick Wins project was introduced at several locations during the past year.

Sustainable use of resources

Paper consumption was during the year 261,393 kg (in 2010/2011 260,163 kg). This was attributable in part to the economic climate and in part to the introduction of a more efficient printing system. We use only FSC-certified paper.

Emissions in tCO ₂	2011/2012	2010/2011	2009/2010	2008/2009
Car travel	12,699	13,222	13,837	14,713
Air travel	2,459	2,888	2,167	1,997
Train travel	98	88	87	116
Total travel	15,256	16,198	16,091	16,826
Paper usage	143	144	161	184
Waste	384	n/a.	n/a.	n/a.
Office energy consumption	2,627	3,529	5,700	8,306
Total	18,410	19,871	21,952	25,316
% Reduction to baseline 2008/2009	27.3	21.5	13.3	-
tCO ₂ per FTE	4.8	5.3	5.7	6.2
kgCO ₂ per m ² office	176.5	188.6	199.9	221.8

The waste produced by our offices is sorted before it is collected.

In addition, our IT department donated old phones when we switched to improved technology. Once the data are swiped, the phones will either be reused or the metals recycled. In both scenarios, this generates money that we donate to FairPhone, a campaign to improve the social conditions of mine workers sourcing the metals for the phone industry in East Africa. 1,800 colleagues in Belgium and the Netherlands gave this initiative a score of 9 on a scale from 1 to 10.

We integrated sustainability criteria on workplace and environmental conditions into our procurement policy. The criteria are preconditions for our procurement policy.

Report of the Board

Environment & Society

KPI	KPI description	Objective	Realisation in 2011/2012
8	Hours spent on focus Community Engagement Organizations.	9,000 hours in 2012/2013 (cumulative since 2010/2011)	1,995 hours

All coffee machines in all our offices use UTZ-certified coffee beans. The UTZ label is a guarantee for sustainability and fair trade. We have also set up a program to increase the number of organic products sold in our restaurants. A pilot scheme has already been launched at our offices in The Hague and Rotterdam.

COMMUNITY ENGAGEMENT

Our engagement with society is about sharing our knowledge and professional skills. We encourage all our people to take part in projects run by socially engaged organizations in order to widen their outlook and enhance their personal skills. The activities are coordinated by the Ernst & Young Foundation, which was set up especially for this purpose. Sports sponsorship also commands a prominent place within our community engagement. Love of sport is in our genes and complements what we stand for: we want our staff and clients to develop their talents and make maximum use of their potential.

During the fiscal year many diverse and very successful projects allowed others to benefit from our expertise in accounting, tax, financial and general business advice. The economic circumstances made it for some of the projects not always possible to participate in the full capacity. However, we also found that it takes time for some of the projects of our partnership organizations to become operational. Also we see that projects need to be more in line with our employees' ambitions. We have therefore decided to step up our projects

under the name "excellerator". Despite these new initiatives it will remain a very challenging task to achieve the objectives.

Our focus lies on non-profit organizations that are engaged in sustainable entrepreneurship, the environment and education. It is no accident that these are the priority themes in our sustainability policy. We support the organizations chiefly by sharing our knowledge and competences with them. We have entered into four partnerships with non-profit organizations since the Foundation was set up. With the selected organizations, we encourage our people to perform voluntary work, pro-bono work and take part in thought leadership projects.

One of these partnerships is with Urgenda, an organization that accelerates innovation and sustainability in the Netherlands. Urgenda was the initiator behind Sustainability Day (11 November 2011). Several of our offices again took part last year.

During the year we started to develop a strategy document in cooperation with Urgenda on the use of electric cars in urban areas as a sustainable alternative to conventional cars.

At our second focus partner, we are Coaching Partner of the Business Without Borders competition organized by the Business in Development (BiD) Network. Additionally we supported BiD with the improvement of its business model during the Dutch Sustainability Day. During the year, the EY Foundation launched the Women in Business Challenge in collaboration with the BiD Network.

Report of the Board

Environment & Society

This year 18 people from Ernst & Young participated in the BiD Network's Business without Borders competition. They coached Dutch entrepreneurs who wanted to set up a business in an emerging market. Their business plans ranged from a hostel in Rwanda to a fish farm powered by solar energy. Our EY employees learned about sustainable entrepreneurship while the entrepreneurs benefited from our expertise, a win-win situation. In the television program "Wereldzaken" Bea Haring, member of the board of the Ernst & Young Foundation explained our activities in BiD Network and the benefits this created for both BiD Network as well as to our employees.

Our third focus partner is NFTE (Network For Training Entrepreneurship), an internationally renowned training program supported by Ernst & Young worldwide. NFTE introduces children and young people to sustainable entrepreneurship and teaches them about its benefits. NFTE Nederland is a strategic partner in the OPEDUCA Project to increase the development opportunities of young people in the interests of a truly sustainable world and society.

We entered into a fourth partnership during the year, with Naga Foundation, to conduct innovative water management projects in Africa and Asia. Its aim is to restore flora and fauna in areas subject to major climate and water problems. Ernst & Young also entered into an alliance with ENVIU, an organization that sets up companies to solve social and ecological problems.

Key figures Environment

	Unit	2011/2012	2010/2011
Electricity usage (incl. Aircon), green and grey	1,000 kWh	12,836	13,550
Gas usage	1,000 m ³	568	763
Paper usage	1,000 kg	260	261

Sports sponsorship: a long history

Our organization and sport are excellent matches for each other. We want to make the difference for our clients and get the most out of ourselves. In other words, we want to win! Like sport, our services are designed to develop potential and make the difference when it comes to individual performance, team performance and results. Our aim is to make a sustainable contribution to elite sport in the Netherlands. We want to be more than just a sponsor and we have placed the bar very high: we want to raise Dutch sport to a higher level. This ambition is one of the drivers behind our choice of projects and our love of sport. We are achieving it by sponsoring a number of sporting activities and devoting a great deal of attention to sport for the disabled.

We are constantly seeking opportunities to share our knowledge and skills with our partners. Sport club managers, for example, can put their tax, legal and accounting questions to the sports desk we man with Holland Van Gijzen. We have also been actively involved for many years in sponsoring, providing tax and financial advice and auditing the financial statements of the Youth Sport Fund. Through schools and social workers, the Youth Sport Fund pays the subscriptions and buys sports equipment for children from families that cannot afford them.

Since 1997 we have been one of the six Partners in Sport of the Dutch Olympic Committee*Dutch Sports Federation, NOC*NSF. One of the themes of our sponsorship is coaching, in which we see an important parallel with our own activities. Coaches help you to work better and improve your performance.

Report of the Board

Environment & Society

This is also true in our own organization, where experienced colleagues coach young employees. Our clients, too, often look upon us as coaches. To tie in with the 2012 Olympics, Ernst & Young has introduced the Olympic Coaches of Industry campaign, in which businesses can win an elite coach for a day to turn their potential into even better performance. This matches our belief that an organization performs best when it is physically, mentally and emotionally fit. Jacques Rogge, the President of the International Olympic Committee (IOC), was invited to the Ernst & Young Hofstad lecture to discuss the importance of sport in our society: what sport brings; how sport can help in the community; what is the link with business; vitality.

We have been a partner of NLCoach since the start of the coaching campaign in 2008. NLCoach promotes the interests of coaches in the Netherlands and works in close cooperation with NOC*NSF. We support the NLCoach Talent Award program to provide international placements for talented coaches aged 20 to 35. A second theme in our program is to support the Netherlands' Olympic ambition. We have committed ourselves to the Olympic Plan 2028. It consists of eight ambitions to strengthen the vitality of the Netherlands' economy, infrastructure, society and health. We are members of the Olympic Fire advisory body and set up an Olympic Ring in 2009. It is made up of a select group of senior managers who use their specific expertise to determine how Dutch enterprises can contribute to the development and implementation of the Olympic Plan 2028 and act as a sounding board for NOC*NSF and

sports administrators. We are trying to forge a link between Dutch sports administrators and the business community in order to raise the Netherlands to Olympic level.

Sport for people with a disability

Our sports sponsorship recognizes the importance of disability sports. We contribute as a partner of the Disability Sport Fund. Our contribution is used specifically for the coaching fund to improve the quality of both professional and voluntary coaches. With effect from the current fiscal year, we have deepened our partnership and are auditing the Fund.

We have been supporting Esther Vergeer, the undisputed best wheelchair tennis player in the world for many years, since she began her career in 1999. We also support Special Olympics Nederland. This organization provides well-trained coaches and assistants for national and international disability sports events. During the year, we became a "Super Fan" of Team ParaStars, the first team of disabled athletes in the world to join forces to raise awareness and the profile of disability sports. Team ParaStars is an initiative of Esther Vergeer. Six disabled athletes are setting an example for the rest of the Netherlands and frequently and positively placed disability sports in the spotlight during the year. The team wants to turn Dutch people and businesses into fans of Team ParaStars.

Report of the Board

Quality & Risk Management and in-control statement



Quality & Risk Management (Q&RM) is at the heart of our strategy. We continually strive to improve our Q&RM processes. We promote a culture of integrity, as well as of high-quality service, among all our professionals. Our Global Code of Conduct provides a clear set of standards and behaviors that guide our actions and our business conduct. In addition, we have specific anti-bribery and insider trading policies. Overall responsibility for the design and execution of an effective risk management policy and internal control system for the Dutch Ernst & Young organization lies with the Board of Belgium/Netherlands, with a substantial proportion of the tasks being delegated to the Chief Operating Officer and the Quality & Risk Management leader. The service line leaders have integrated risk management into their operational activities.

The Quality & Risk Management system relevant to our audit practice is described in detail in the Transparency Report issued by Ernst & Young Accountants LLP. That description relates only to the Assurance service line but similar Quality & Risk Management systems are in operation at the other service lines.

Quality management

The main Q&RM processes include quality control programs, client and engagement acceptance and continuance and independence.

Quality control programs

We have implemented quality control programs for all our service lines. Their primary goal is to determine whether our quality policies and procedures are appropriately designed and observed in the execution of engagements. The programs are implemented annually by the service lines, for which engagements are selected according to their (inherent) risk profile. The objective is to review engagements of approximately one-third of our partners each year. The programs' results are evaluated and communicated so that quality improvements can be made.

In addition to these programs, selected engagements are reviewed by the EMEIA compliance team. This team consists of professionals from different countries within the EMEIA area. Finally, the central Q&RM department carries out an annual review of selected engagements.

Report of the Board

Quality & Risk Management and in-control statement

Client and engagement acceptance and continuance

Ernst & Young's client and engagement acceptance policy sets out the principles to determine whether to accept or to continue with a client or engagement. The acceptance process involves a careful consideration of the risk characteristics of a prospective client or engagement and includes several due diligence procedures. In addition, our global conflicts policy defines categories of conflicts of interest, the process to identify such conflicts and provisions to manage them.

To coordinate client and engagement acceptance and continuance efficiently, we have developed the intranet-based Global Tool for Acceptance and Continuance (GTAC) to take users step-by-step through the acceptance and continuance requirements.

Independence

Our independence policies and processes are designed to comply with the independence requirements. These were also applied in the fiscal year 2011/2012 and included:

- ▶ Annual confirmation of Ernst & Young's Global Independence Policy by Ernst & Young Nederland.
- ▶ Annual confirmation of Ernst & Young's Global Independence Policy by our professionals, with partners being required to confirm quarterly in an intranet based monitoring tool. In this tool all partners and senior levels of non-partners disclose all listed investments held by them and/or their spouse, to allow for continuous monitoring.
- ▶ Annual confirmation with Ernst & Young's Global Independence Policy by our audit team members, with all team members confirming their independence regarding the audit client.
- ▶ Completion of an annual independence training course by all our professionals.

Report of the Board

Quality & Risk Management and in-control statement

Risk management

As a professional service provider, Ernst & Young is active in various markets and is exposed to market, strategic, operational and compliance risks that are inherent to its activities. As many organizations, Ernst & Young faces turbulent times, as evidenced by the continuing economic downturn, lower trust, fierce competition, pressure on fees, proposed domestic and EU regulatory changes that may impact the way it conducts its business and the eurozone facing a euro and debt crisis. Ernst & Young's risk management and operational processes are designed to identify and mitigate risks at an early stage. We carried out a scenario analysis during the year that linked the various risks to an early warning system that identifies their potential impact and ways to reduce them.

The main risks are shown in the table hereafter. They are classified into market and strategic risks, and operational and compliance risks. We would note that there may be other significant risks that we have not yet identified or that have not yet been recognized as risks or opportunities which might have a significant influence on our organization but might emerge as such at a later stage. The risks identified represent not only threats to our organization but also opportunities to achieve our ambitions.

Ernst & Young not only aspires to deliver services of the highest quality but also to permanently seek improvements in its own organization. The risk management and internal control system is no exception.

The most important areas in which improvements were identified and initiated during the fiscal year 2011/2012 and previous years related to the timely and full compliance with applicable policies and procedures on the completion of engagements, adequate documentation of the work performed and independence. Tone at the top and training programs aim to establish a culture and maintain skills supportive to the quality level we strive for. International internal quality review programs are the main tool to monitor compliance with all prescribed policies and procedures and their documentation and to identify remedial measures considered appropriate.

An important part of the steering is incorporating the findings of the quality review programs (and for the Assurance service line, of investigations carried out by the AFM) into the training programs for the professionals. In addition, all service lines continued and increased their investments in quality during the fiscal year. Notable examples are Assurance's culture change program, Tax's exceptional client service program and TAS's capital agenda. A working capital policy, including penalty targets, was introduced to reduce the number of billing and collection days. Finally, as part of our operations, Ernst & Young established a Security Organization, conducted the Global Risk Survey and finalized the Business Continuity Plan and Emergency Preparedness & Response Plans.

Report of the Board

Quality & Risk Management and in-control statement

Type of risk	Potential influence	Controls	Type of risk	Potential influence	Controls
<i>Market and strategic risks</i>			<i>Operational and compliance risks</i>		
Deterioration of the national and international economic situation and the business climate in the Netherlands	Declining demand for our services (internationally and in the Netherlands) due to weaker economic activity and relocation of Dutch activities abroad	Ernst & Young focuses (internationally and in the Netherlands) on market leadership (e.g. competing for growth), assessing of and responding to innovation and trends at our clients and on improving the business climate in the Netherlands	Non-compliance with strict internal quality requirements and breaches of applicable regulations	Reputational damage, claims and litigation leading to loss of income and/or high costs	Strict enforcement of stringent quality and risk management policies and procedures to ensure the highest quality and monitor compliance with policies, procedures and regulations Client Acceptance and continuance procedures in accordance with our standards
Fierce competition and price pressure	Increased lead time and cost to win engagements and lower revenue and margins per engagement	Simplify our structure, improve our operational processes, including off-shoring to reduce our cost structure, and implementation of value proposition programs to maintain a fair price for our services	Inadequate ability to recruit and retain top talent owing to scarcity on the labor market, the influence of proposed legislation on the attractiveness of the audit profession	May undermine the high quality of services, healthy growth and career opportunities	Policy of being employer of choice Priorities are education and development, vitality, diversity and the top performance program Promotion of international mobility of people and workplace at Ernst & Young
Possible claims against Ernst & Young in the Netherlands and/or internationally with major financial implication	The award of a large claim can lead to reputational damage, profit erosion or even a threat to the continuity of the organization	Strict enforcement of stringent quality and risk management system Partial professional liability insurance subject to availability	Natural disasters, terrorism and accidents	Serious disruption of our business operations	Establishment of a Security Organization, a Business Continuity Plan and Emergency Preparedness & Response Plans and insurances
Eroding trust in audit profession and/or audit firm	Proposed national and international regulatory changes (e.g. scope of audit services and rotation of auditors) might result in over-formalization of the audit profession, leading to high compliance cost and lower quality and in modification of the full service concept Loss of clients and loss of mandate	Maintain high quality standards in our profession and our firm, continued dialogue with regulators, oversight bodies, clients and other stakeholders and innovation to close the expectation gap Active input to public debate of the relevance of audits with a focus on quality, independence and good communication, good cooperation with AFM and other national and international supervisors and bilateral discussions with CEOs and CFOs of the 50 largest companies in the Netherlands	Reliance on international ICT system	System failure or inadequate availability can be detrimental to client services	The international ICT infrastructure of Ernst & Young satisfies the highest security and continuity criteria The standard load set on PCs contains most of the software for client services
			Reliance on third parties for funding	Inadequate access to and availability of funding can be detrimental to operations	Capital contribution of partners is contractually arranged with further funding structured through loans from partners, bank and the international Ernst & Young organization Steering and monitoring of working capital, including penalty targets to drive appropriate behavior

Report of the Board

Quality & Risk Management and in-control statement

In-control statement

The Executive Board of Ernst & Young Belgium and the Netherlands is responsible for designing and operating an effective risk management and internal control system. This includes implementing and if necessary adjusting international Ernst & Young policies and procedures, establishing and maintaining processes as well as guiding people's behavior in such a way that the company can achieve its objectives. In the year under review, we analyzed and evaluated the risk management and internal control system, and considered the risks to which our organization is exposed.

Based on this review and cognizant of its inherent limitations as described below, the Executive Board concluded that there is reasonable assurance that in the year under review:

- ▶ it understood to what extent the strategic and operational objectives were being realized;
- ▶ the internal and external financial and management reports were reliable and
- ▶ applicable laws and regulations have been observed.

Furthermore, there is no reason to believe that the internal risk management and control system will not work properly during the current year.

It is important to note that a risk management and internal control system, no matter how well designed and operated, provides only reasonable assurance regarding achievement of an entity's objectives. Achievement of objectives is

affected by limitations inherent in all management processes, including the inherent risk that errors and violations can occur as a result of human failure, the possibility of poor judgment in decision-making, control processes being deliberately circumvented by professionals, management overriding controls, and of unforeseen circumstances. Another limiting factor is the need to consider the relative costs and benefits of risk responses. Properly designed and implemented risk management and internal cost systems will therefore provide reasonable but not absolute assurance that Ernst & Young will not be hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business. In this context, reasonable assurance refers to the degree of certainty that would be satisfactory for a prudent business manager in the management of his affairs in the volatile and changing business environment in which Ernst & Young operates.

Any assessment of effectiveness in future periods is subject to the risk that the risk management and internal control system may become inadequate because of changes in conditions.

Rotterdam, September 28, 2012

P.J.A.M. Jongstra
G.A.M. Aarnink
C.J.B. van Boxel

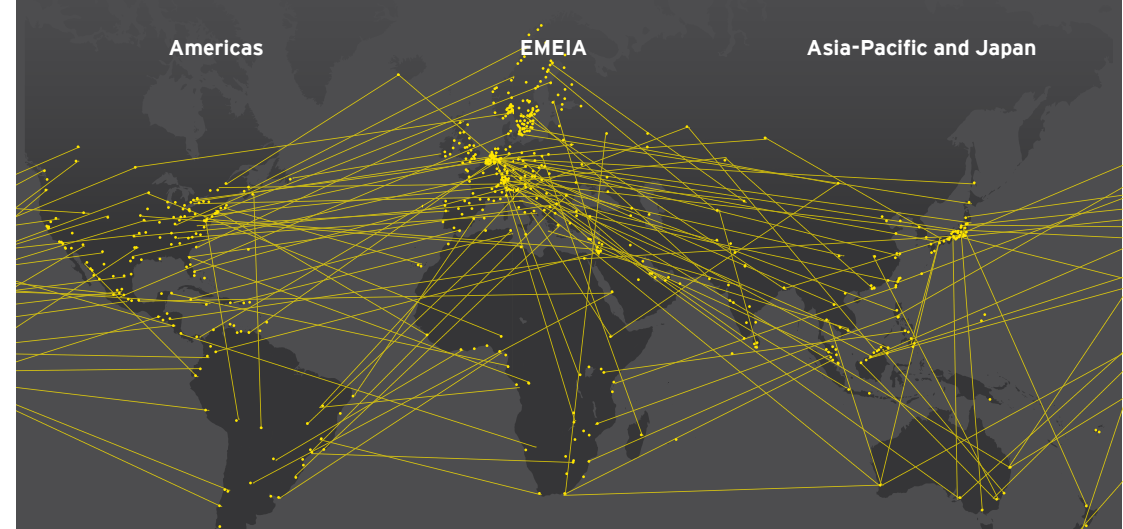
Report of the Board

Corporate governance

Structure

Ernst & Young refers collectively to the global organization of member firms of Ernst & Young Global Limited (EYG), each of which is a separate legal entity. Ernst & Young Global limited is the central entity of the Ernst & Young organization and coordinates the member firms and fosters cooperation among them. Ernst & Young Global Limited is a UK company limited by guarantee and does not provide services to clients. Its objectives include promotion of the provision by its member firms of seamless consistent, high-quality, client service, worldwide. Ernst & Young is organized into four geographical areas: Americas, Asia-Pacific, EMEIA (Europe, Middle East, India and Africa) and Japan.

In the Netherlands, the two main Ernst & Young firms are Ernst & Young Accountants LLP (Assurance, Advice, TAS) and Ernst & Young Belastingadviseurs LLP (Tax). Both firms are owned by the private practice companies of Ernst & Young's partners in the Netherlands ("members"). The members of Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP are also owners of Ernst & Young Nederland LLP. Ernst & Young Nederland LLP coordinates and facilitates Ernst & Young's activities in the Netherlands, but does not provide services to external clients.



Control over Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP

Control over Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP is exercised by Ernst & Young Europe LLP, a UK limited liability partnership owned by members of EYG member firms in Europe. Ernst & Young Europe LLP exercises this control indirectly, through Ernst & Young Nederland LLP. Ernst & Young Europe LLP is an audit firm registered with the ICAEW, but it does not carry out audits or provide services to external clients. Ernst & Young Europe LLP is a member of both EYG and Ernst & Young (EMEIA) Limited ("EMEIA Limited").

As for our **organization**, EMEIA Limited is the principal governance entity for the EYG member firms in the EMEIA area. Within this EMEIA area of 93 countries, there are 11 geographical sub areas and one sector sub area, Financial Services (FS). The professionals of our firm serving financial sector clients form part of the FS sub area; the other professionals form part of the geographic sub area, Belgium and the Netherlands.

EMEIA Limited is a UK company limited by guarantee. EMEIA Limited facilitates the coordination of the firms within the EMEIA area and stimulates cooperation between them, but it does not control or manage or have any ownership interest in Ernst & Young in the Netherlands.

Report of the Board

Corporate governance

EYG's principal governing bodies include:

Global Executive

At the highest level, the Global Executive brings together the leadership of Ernst & Young functions, services and geographies. It is chaired by the Chairman and Chief Executive Officer of EYG, and includes its Chief Operating Officer; the Area Managing Partners; the global functional leaders – the Global Managing Partners of People, Markets, Quality & Risk Management, and Operations and Finance; the global service line Vice Chairs – Assurance, Advisory, Tax and Transaction Advisory Services; and the Global Vice Chair – Public Policy. The Global Executive also includes a representative from the emerging markets practices.

Global Advisory Council

The Global Advisory Council is the main advisory body of the global Ernst & Young organization. It comprises a number of member-firm partner-level professionals (referred to as “partners”) drawn from across the four areas and includes independent non-executive representatives (“INEs”). The partners, who otherwise do not hold senior management roles, are elected by their peers for a three-year term, with a provision for one successive re-appointment. The INEs are nominated by a dedicated committee. The Global Advisory Council advises EYG and Ernst & Young on policies, strategies and the public interest aspects of its decision making. The approval of the Global Advisory Council is required for a number of significant matters that could affect Ernst & Young.

Ernst & Young Europe LLP's two principal bodies are:

Europe Executive

The Europe Executive effectively operates as the board of Ernst & Young Europe LLP and has authority and accountability for strategy execution and operations management in four dimensions: People, Quality, Growth and Operational Excellence. It consists of the Europe Managing Partner; the Europe Chief Operating Officer; the leaders for Markets, People, Quality & Risk Management; the Service Line leaders for Assurance, Advisory, Tax and Transaction Advisory Services; and all sub area Managing Partners of the sub areas in Europe.

Europe Advisory Council

Ernst & Young Europe LLP has an elected Europe Advisory Council, which is composed of a number of partners of the EYG member firms in Europe. It serves in an advisory role to the Europe Executive on policies, strategies and other matters and its approval is required for a number of significant matters, e.g. appointment of the Europe Managing Partner, the financial reports of Ernst & Young Europe LLP and material transactions.

Report of the Board

Corporate governance

Legal structure of Ernst & Young in the Netherlands

Ernst & Young Accountants LLP is licensed by the AFM to carry out statutory audits (including audits of public interest entities). Ernst & Young Belastingadviseurs LLP has a strategic alliance with a firm of lawyers and notaries, Holland Van Gijzen Advocaten en Notarissen LLP. Ernst & Young Actuarissen B.V. provides actuarial services, Ernst & Young CertifyPoint B.V. is an independent and impartial certification body which specializes in certification frameworks and certification systems. Ernst & Young VAT Rep B.V. provides VAT representation services.

Management

Ernst & Young Nederland LLP is governed by a Board of Directors elected by Ernst & Young Europe LLP. Current Board Members are Pieter Jongstra (Chairman), Giljam Aarnink and Kees van Boxel. The Board of Directors provides coordinating leadership in order to optimize the shared course of the business and practices of Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP and to promote their joint strategy. The Directors are entitled through their respective practice firms to a proportion of the profit but do not receive separate remuneration for their director role.

Sub Area Partner Forum

The Belgium and Netherlands Sub Area Partner Forum (SAPF) is an advisory body that convenes on a regular basis to discuss matters of interest, provide input into the Europe Advisory Council and to advise the Sub Area Managing Partner and the Board. The SAPF comprises 12 members, 9 members from the Netherlands and 3 members from Belgium. Members of the SAPF may not be involved in Service Line management or the Leadership Team. The SAPF is elected by the partners of the Belgian and Netherlands Ernst & Young organization and operates on the basis of a three-year cycle with members being eligible to participate for a maximum of 6 years.

Steering Committee Corporate Responsibility

Pieter Jongstra is responsible for Corporate Responsibility. Within the Leadership Team, there is a Steering Committee for CR with specific responsibilities for Entrepreneurship, Employees, Environment and Community Engagement. They meet four times a year and discuss the CR strategy, progress and new actions to take to achieve the CR targets set. They are accountable to the full Leadership Team as well as externally through this integrated report.

Report of the Board

Corporate governance

Kring

The Leadership Team meets at least three times a year with a group of external senior advisors ('Kring' in Dutch, i.e. 'Circle') from the Netherlands and Belgium. Members of the Kring come from a broad range of activities and groups; they represent the varied society in which Ernst & Young operates. The Leadership Team uses the Kring as a sounding board on business matters. Advice from the Kring is not binding on Ernst & Young in any way.

Regulations

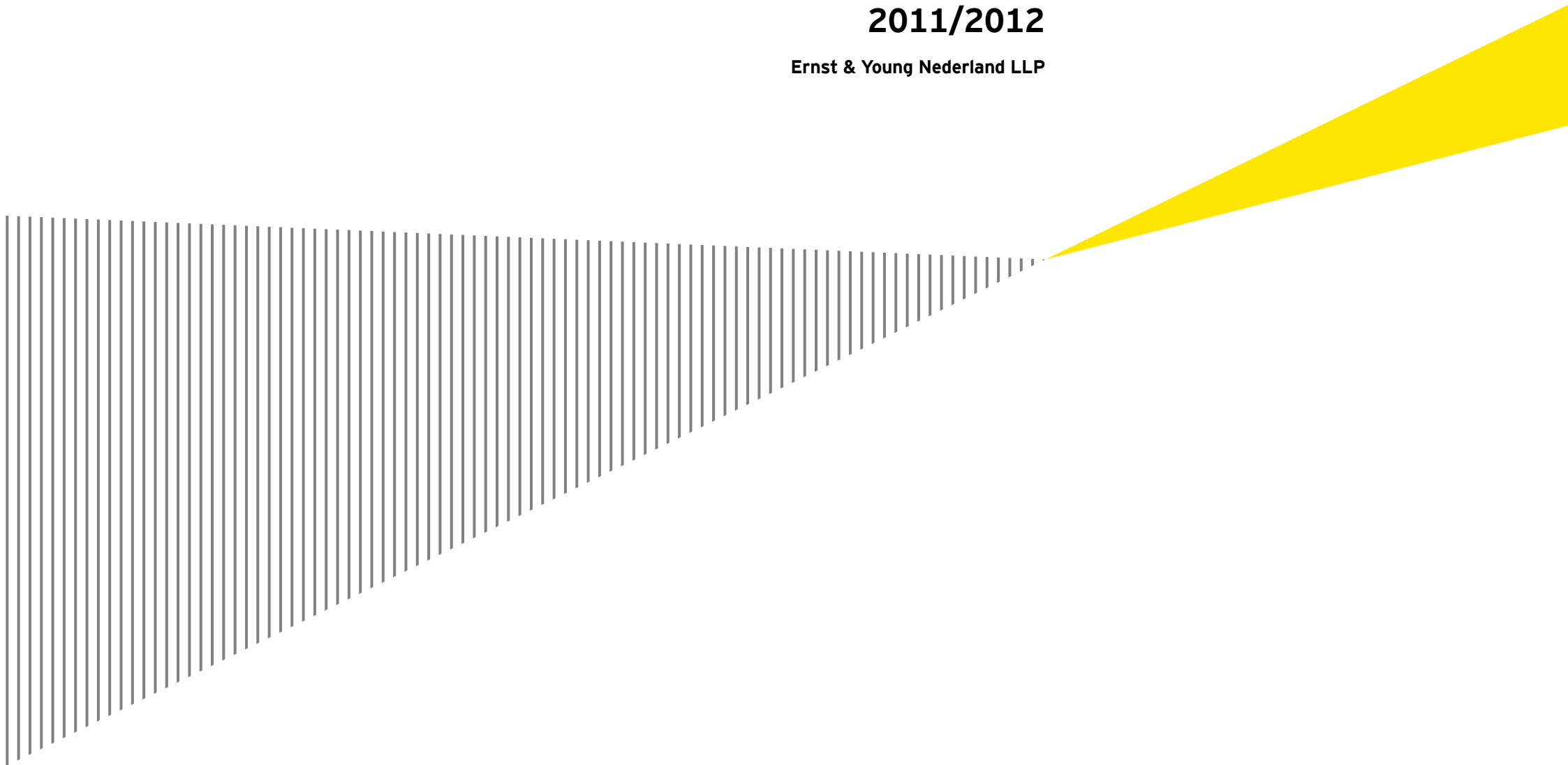
Ernst & Young has various regulations that set the frameworks for the performance of the various bodies or implement the rules applying within Ernst & Young. They include:

- ▶ *Members' Agreement*
- ▶ *Fundamental rules*
- ▶ *Regulations*
- ▶ *Anti-bribery and insider trading policies*
- ▶ *Independence policy*
- ▶ *Global Code of Conduct and the Ernst & Young Values*
- ▶ *EY/Ethics, a global ethics hotline to provide Ernst & Young people, clients and others outside the organization with a confidential means to report activity that may involve unethical or improper behavior that may be in violation of professional standards or otherwise inconsistent with our Global Code of Conduct*

The Global Code of Conduct is available on our [website](#).

Financial Statements 2011/2012

Ernst & Young Nederland LLP



Registered No. OC335595
Registered in England and Wales

Ernst & Young Nederland LLP
Financial statements for the year ended 30 June 2012

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Ernst & Young Nederland LLP

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Members' report

The members (i.e. partners) present their report and financial statements for the year ended 30 June 2012.

Principal Activity

Ernst & Young Nederland LLP (hereinafter: "EYNL") provides assistance and coordinating leadership to Ernst & Young Accountants LLP and Ernst & Young Belastingadviseurs LLP in order to optimize their shared course of business and practices to promote their joint strategy. EYNL carries out its operations in the Netherlands but does not provide services to clients.

Board

The board is led by Pieter Jongstra, Chairman of EYNL. For the year ended 30 June 2012 and the period until approval of the financial statements, the board furthermore comprises of:

- ▶ Giljam Aarnink
- ▶ Kees van Boxel

All members of the board are members of EYNL through a closed company with limited liability (a 'B.V.').

The chairman of EYNL is appointed by the chairman of Ernst & Young Europe LLP (hereinafter: "EY Europe"), after appropriate sounding with the members of EYNL. The other members of the board are appointed by the Europe executive.

The board is responsible for the day-to-day management and exercising the duties and powers as laid down by the fundamental rules and regulations of EYNL.

Designated members of EYNL are:

- ▶ G.A.M. Aarnink B.V.
- ▶ Drs. C.J.B. van Boxel Belastingadviseur B.V.
- ▶ Drs. P.J.A.M. Jongstra Registeraccountant B.V.

BDO LLP was appointed auditor to EYNL for the year ended 30 June 2012.

On behalf of Drs. P.J.A.M. Jongstra Registeraccountant B.V.

P.J.A.M. Jongstra

Statement of members' responsibilities

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

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 ('LLP Regulations') require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under these regulations the members 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 group and EYNL and of the profit or loss of the group and EYNL for that period.

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

- ▶ select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- ▶ make judgements and estimates that are reasonable and prudent;
- ▶ present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- ▶ provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- ▶ state whether applicable IFRSs have been followed subject to any material departures disclosed and explained in the financial statements;
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group or EYNL will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and EYNL's transactions, disclose with reasonable accuracy at any time the financial position of the group and EYNL, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the group and EYNL and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

We have audited the Group and Limited Liability Partnership financial statements (the 'financial statements') of Ernst & Young Nederland LLP for the period from 2 July 2011 to 29 June 2012 which comprise the Consolidated and Limited Liability Partnership Statements of Comprehensive Income, the Consolidated and Limited Liability Partnership Statements of Financial Position, the Consolidated and Limited Liability Partnership Statements of Changes in Equity, the Consolidated and Limited Liability Partnership Statement of Cash Flows and the related notes 1 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors

As explained more fully in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- ▶ give a true and fair view of the state of the Group's and Limited Liability Partnership's affairs as at 29 June 2012 and of the Group's and Limited Liability Partnership's profit for the period then ended;
- ▶ have been prepared in accordance with IFRS as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Opinion on other matters

In our opinion the information given in the members' report for the period from 2 July 2011 to 29 June 2012 for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- ▶ adequate accounting records have not been kept by the limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

Matthew White (Senior Statutory Auditor)

For and on behalf of BDO LLP, (Statutory Auditor)

London, United Kingdom

Date: 28 September 2012

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

Consolidated statement of comprehensive income Ernst & Young Nederland LLP¹

(for the year ended 30 June 2012)

	notes	2011/2012	2010/2011
		€000	€000
Revenue			
Rendering of services ²	6.1	599,258	601,712
Other income	6.2	24,142	19,228
		623,400	620,940
Operating expenses			
Services provided by foreign Ernst & Young member firms and third parties	7.1	67,592	67,447
Employee benefits expenses ²	7.2	273,719	246,803
Depreciation of property, plant and equipment	10	14,894	17,016
Amortization and impairment of intangible assets	11	158	140
Other operating expenses ²	7.3	146,947	147,225
		503,310	478,631
Operating profit		120,090	142,309
Finance income	8.1	475	652
Finance expenses	8.2	-12,114	-19,863
Share of profit from joint venture	12	12	168
Profit before tax		108,463	123,266
Income tax income/(expenses)	9	56	-383
Profit for the financial year		108,519	122,883
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		108,519	122,883
Profit attributable to members of EYNL		108,519	122,883
Total comprehensive income for the year attributable to members of EYNL		108,519	122,883

- 1) Excluding Holland Van Gijzen Advocaten en Notarissen LLP.
For figures including Holland van Gijzen Advocaten en Notarissen LLP see combined statement of income.
- 2) For reclassifications in 2010/2011 see note 2.2 Basis of preparation.

Consolidated statement of financial position Ernst & Young Nederland LLP³

(as at 30 June 2012)

	notes	30 June 2012	30 June 2011
Assets		€000	€000
<i>Non-current assets</i>			
Property, plant and equipment	10	45,887	72,931
Intangible assets	11	5,284	66
Investment in joint venture	12	-	12
Other non-current financial assets	13	4,689	1,459
		55,860	74,468
<i>Current assets</i>			
Trade and other receivables	14	194,729	229,235
Prepayments	15	97,723	100,961
Other current financial assets	13	89	1,101
Income tax receivable		348	-
Cash and short-term deposits	16	61,781	63,877
		354,670	395,174
Total assets		410,530	469,642
Equity and liabilities			
<i>Current liabilities</i>			
Trade and other payables	17	169,495	188,684
Interest-bearing loans and borrowings	18	39,801	65,754
Provisions	20	6,282	6,876
Employee benefits	21	42,258	32,907
Income tax payable		-	283
		257,836	294,504
<i>Non-current liabilities</i>			
Interest-bearing loans and borrowings	18	106,004	108,066
Other non-current financial liabilities	19	1,724	-
Advances received		-	8,308
Provisions	20	15,960	20,162
Employee benefits	21	4,404	5,180
		128,092	141,716
Total liabilities		385,928	436,220
<i>Equity</i>			
Members' capital	22	75,543	75,036
Reserves	23	-50,941	-41,614
Total equity		24,602	33,422
Total equity and liabilities		410,530	469,642

These financial statements were approved by Ernst & Young Europe LLP on 28 September 2012 and signed by P.J.A.M. Jongstra on behalf of Drs. P.J.A.M. Jongstra Registeraccountant B.V.

3) Excluding Holland Van Gijzen Advocaten en Notarissen LLP. For figures including Holland Van Gijzen Advocaten en Notarissen LLP see combined statement of financial position.

Consolidated statement of changes in equity Ernst & Young Nederland LLP

	Members' capital	Profit available for distribution	Other reserves	Retained earnings	Total retained earnings	Total equity
	€000	€000	€000	€000	€000	€000
At 1 July 2010	-	125,629	-1,751	-168,159	-44,281	-44,281
Profit for the financial year	-	112,364	-	10,519	122,883	122,883
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	112,364	-	10,519	122,883	122,883
Profit distribution 2009/2010	-	-125,629	-	-	-125,629	-125,629
Change in conditions of members' capital	75,036	-	-	-	-	75,036
Interest on members' capital	-	5,482	-	-	5,482	5,482
Change in estimates of obligations to current members	-	-	-	-69	-69	-69
At 30 June 2011	75,036	117,846	-1,751	-157,709	-41,614	33,422
Profit for the financial year	-	98,000	-	10,519	108,519	108,519
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	98,000	-	10,519	108,519	108,519
Profit distribution 2010/2011	-	-112,364	-	-	-112,364	-112,364
Distribution of interest on members' capital	-	-5,482	-	-	-5,482	-5,482
Contributions of capital from members	4,760	-	-	-	-	4,760
Repayment on retirement through equity	-4,253	-	-	-	-	-4,253
At 30 June 2012	75,543	98,000	-1,751	-147,190	-50,941	24,602

Negative retained earnings are a result of settlement of drawing rights with current and retired members. These negative retained earnings do not have any impact on the going concern assumption under which these statements have been prepared. The future cash flow will be positively influenced as a result of the settlement of the drawing rights. For these reasons EYNL will be able to continue distribution of its profits.

Consolidated statement of cash flows Ernst & Young Nederland LLP

(for the year ended 30 June 2012)

	notes	2011/2012	2010/2011
		€000	€000
Operating activities			
Profit for the financial year		108,519	122,883
Adjustment for:			
Depreciation of property, plant and equipment	10	14,894	17,016
Amortization and impairment of intangible assets	11	158	140
Finance income and expenses	8	11,639	19,211
Share of profit from joint-venture		-12	-168
Dividend received		-	173
Increase in employee benefits provision	21	8,292	3,340
Decrease in provisions	20	-5,692	-16,502
		137,798	146,093
Working capital adjustments:			
Decrease/(increase) in trade and other receivables and prepayments		36,380	-36,569
(Decrease)/increase in trade and other payables		-11,334	25,491
Income tax paid		-726	-156
Net cash flow from operating activities		162,118	134,859
Investing activities			
Purchase of property, plant and equipment		-1,934	-1,979
Disposals of property, plant and equipment		223	22
Additions to other non-current financial assets/loans		-3,373	-188
Disposals of other non-current financial assets/loans		1,156	1,424
Acquisition of a subsidiary, net of cash acquired	5	-5,668	-
Proceeds from sale of joint venture/ subsidiaries		1,954	-
Interest received		475	652
Net cash flow used in investing activities		-7,167	-69

Consolidated statement of cash flows Ernst & Young Nederland LLP

(for the year ended 30 June 2012)

	notes	2011/2012	2010/2011
		€000	€000
Financing activities			
Payment from/(to) members (current account)		-11,458	28,338
Prepayments to current members		-55,028	-60,175
Payment of profit distribution 2010/2011 (2009/2010)		-57,671	-64,011
Contributions of capital from members	22	4,760	4,392
Repayment on retirement of capital contributions	22	-4,253	-3,363
Repayment of financing related to drawing rights		-7,420	-7,420
Payment of financial lease liabilities		-5,387	-7,521
Proceeds from interest-bearing loans and borrowings	18	16,880	-
Repayment of interest-bearing loans and borrowings	18	-20,815	-24,845
Payment of advances received		-8,308	-
Interest paid		-8,347	-15,851
Net cash flows used in financing activities		-157,047	-150,456
Net cash flow		-2,096	-15,666
Net cash and cash equivalents at 1 July	16	63,877	79,543
Net cash flow		-2,096	-15,666
Net cash and cash equivalents at 30 June	16	61,781	63,877

Notes to the consolidated financial statements Ernst & Young Nederland LLP

The following abbreviations are used in these financial statements:

Abbreviation	standing for
EYNL	Ernst & Young Nederland LLP
EYA	Ernst & Young Accountants LLP
EYB	Ernst & Young Belastingadviseurs LLP
HVG	Holland Van Gijzen Advocaten en Notarissen LLP
EY Europe	Ernst & Young Europe LLP
EY EMEA	Ernst & Young (EMEA) Limited Services
EY Global	Ernst & Young Global Ltd
EYGS	EYGS LLP
EYGF	Ernst & Young Global Finance, Inc.

1 Corporate information

1.1 DATE OF PREPARATION

EYNL's consolidated financial statements for the year ended 30 June 2012 were approved by EY Europe on 28 September 2012 and signed on behalf of the members by the Designated Members on 28 September 2012.

1.2 INCORPORATION

EYNL is a limited liability partnership incorporated and domiciled in England and Wales (United Kingdom). The partnership was incorporated on 14 March 2008.

EYNL is registered in England and Wales with registered number OC335595 and has its registered office at Becket House 1, Lambeth Palace Road, London SE1 7EU, United Kingdom.

Its principal place of business is at Boompjes 258, 3011 XZ Rotterdam, The Netherlands and it is registered with the Rotterdam Chamber of Commerce with number 24432942.

There are contractual arrangements under which the entire result of EYA and EYB is distributed to EYNL.

All members (partners) participate in EYNL and, depending on their professional grouping, in EYA or EYB.

1.3 FINANCIAL YEAR

A financial year consists of 52 or 53 weeks and therefore the year-end date differs from year to year. The financial year 2011/2012 started on 2 July 2011 (2010/2011: 3 July 2010) and ended on 29 June 2012 (2010/2011: 1 July 2011). Therefore everywhere 30 June 2012 is mentioned read 29 June 2012 instead of 30 June 2012, and 1 July 2011 instead of 30 June 2011.

1.4 PRINCIPAL ACTIVITIES

EYNL provides assistance and coordinating leadership to EYA and EYB in order to optimize their shared course of business and practices to promote their joint strategy. EYNL carries out its operations in the Netherlands but does not provide services to external clients.

The principal activities of EYNL's subsidiaries EYA and EYB are the provision of assurance, tax, advisory and transaction advisory services in the Netherlands. Legal services are provided by HVG, which has a strategic alliance with EYB.

1.5 CONTROL STRUCTURE

EYNL is a member firm of EY Global, a worldwide organization of separate legal entities providing assurance, tax, advisory and transaction advisory services which holds a leading position in its market.

Within the Ernst & Young worldwide organization, operations are organized into four geographical areas: Americas, Asia-Pacific, EMEA (Europe, the Middle East, India and Africa) and Japan.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Ernst & Young activities in the Netherlands are a geographical part of the EMEIA organization, consisting of 93 countries divided into 11 geographic sub areas and the Financial Services sub area, which facilitates all services provided to the financial sector.

Together with the Belgian practice, the Netherlands forms the “BeNe” sub area, which combines the non-financial services practices of the member firms in the Netherlands and Belgium. The part of EYNL that serves financial sector clients is a member of the FSO (Financial Services Organization) sub area.

EY Europe obtained a controlling interest in EYNL on 31 March 2009. EY Europe is a member of EY Global and EY EMEIA. EY Europe is also a member of EYNL.

1.6 POSITION OF THE MEMBERS

In accordance with the contractual terms members provide certain funds to EYNL (members' capital). The contractual terms with respect to interest and repayment of these funds were amended on 30 June 2011. In the period before 30 June 2011 members had an unconditional right to an annual interest allowance as well as an unconditional right to immediate repayment of the funds provided after termination upon the membership. Since 30 June 2011 both the interest allowance and the repayment of funds are no longer unconditional but subject to decisions of the Board of EYNL. As a result of these amendments, the classification of the funds provided by members changed into Equity instruments, with corresponding changes being made in the 2010/2011 Statement of financial position presentation.

In the situation that the Board might decide to defer interest payments and/or repayments of funds provided, the amended contractual terms prohibit the distribution of profits.

The members are the sole rightful claimants to the result as determined from the consolidated financial statements. The result is subject to tax in the members' professional corporations to the extent that the results of the entities in which a participating interest is held have not already been subject to tax according to those entities legal forms.

2 Accounting policies

2.1 GENERAL

In previous years' financial statements of, Net current members' interest was shown separately in the statement of financial position.

Since the amendments of the contractual conditions with respect to the funds provided by members, it is no longer necessary for presentation purposes to show the Net current members' interest by showing the balances relating to current members separately from the balances relating to third parties (including retired members) in the statement of financial position.

2.2 BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets and the contingent consideration resulting from the business combination that have been measured at fair value.

The designated members consider that the financial resources available to EYNL are adequate to meet its operational needs for the foreseeable future. Consequently the going concern basis has been adopted in preparing these financial statements.

The functional currency of EYNL and its subsidiaries is the euro. The financial statements are presented in euros and all amounts are rounded to the nearest thousand (€000) except when indicated otherwise.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

For comparative purposes the following restatements were made in the figures of 2010/2011.

In 2010/2011 all mobility expenses and other staff expenses were part of Other operating expenses. As of 2011/2012, mobility expenses and other staff expenses qualifying as Employee benefits expenses (IAS19) are stated as Employee benefits expenses. For comparative purposes mobility expenses (€ 19.4 million) and Other staff expenses (€ 7.3 million) have been reclassified from Other operating expenses to Employee benefits expenses.

Credits received for seconded partners have been reclassified from Other operating expenses to Revenue (€ 2.3 million).

Entities under common control comprise entities controlled by EYNL's parent undertaking, EY Europe LLP, and therefore represent a related party relationship. As of 2011/2012 it is considered that EY Europe LLP is able to exert significant influence over EYGS LLP meaning that it, and its subsidiaries, are related parties of EYNL.

For comparative purposes € 6.9 million has been reclassified from Payables to Related parties payables and € 8.1 million has been reclassified from Receivables to Related parties receivables.

These reclassifications do not have any impact on the profit or the net assets for either of the periods nor the balance sheet at the beginning of the comparative period. Therefore it is considered appropriate not to present a statement of financial position at the beginning of the comparative period.

Business combinations and basis of consolidation

The consolidated financial statements include the financial statements of EYNL and its subsidiaries as at 30 June 2012.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which EYNL obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions and gains and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If EYNL loses control over a subsidiary it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, EYNL elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When EYNL acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of EYNL's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations:

- IAS 24 Related Party Disclosures (Amendment), effective 1 January 2011
- IFRS 7 Financial Instruments: Disclosures (Amendment), effective 1 July 2011
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment), effective 1 January 2011
- Improvements to IFRSs (Issued May 2010), effective 1 January 2011

The adoption of the standards or interpretations is described below:

IAS 24 RELATED PARTY TRANSACTIONS (AMENDMENT)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with governments and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of EYNL.

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES – ENHANCED DERECOGNITION DISCLOSURE REQUIREMENTS

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment has had no effect on the financial position or performance of EYNL.

IFRIC 14 PREPAYMENTS OF A MINIMUM FUNDING REQUIREMENT (AMENDMENT)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. EYNL is not subject to minimum funding requirements in the Netherlands; therefore the amendment of the interpretation has no effect on the financial position or performance of EYNL.

IMPROVEMENTS TO IFRSS (ISSUED MAY 2010)

In May 2010, the IASB issued a third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

- ▶ IFRS 7 Financial Instruments: Disclosures
 - Clarifications of disclosures
- ▶ IAS 1 Presentation of Financial Statements
 - Clarification of statement of changes in equity
- ▶ IAS 34 Interim Financial Reporting
 - Significant events and transactions
- ▶ IFRIC 13 Customer Loyalty Programmes
 - Fair value of award credit

These improvements are either not applicable or the impact is limited to disclosures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Transactions in foreign currencies are initially recorded at the rate of exchange of the functional currency prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the statement of income.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to EYNL and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rendering of services

Rendering of services represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognized when the stage of completion of the contract, the amounts to be received and the costs incurred and to complete the contract can be measured reliably and it is probable the revenue will be received. It is measured by reference to the stage of completion of the contract at the estimated fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements, but excluding value added tax. Revenue is generally recognized as contract activity progresses, although when it is contingent on an event outside the control of EYNL it is recognized when the contingent event occurs. Revenue not billed to clients is included in unbilled receivables and payments on account in excess of the relevant amount of revenue are included in trade and other payables.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

When determining the amount of revenue to be recognized on incomplete contracts, it is necessary to estimate their stage of completion, the remaining time and costs to be incurred and the amounts that will be paid for the services provided. These estimates are made on a contract-by-contract basis and a different assessment of any of these factors would result in a change to the amount of revenue recognized.

Other income

Income earned from providing services to other entities within the EY Global network is included in Other income

Finance income

Finance income represents interest earned on cash at banks and deposits. Revenue is recognized as interest accrues (using the effective interest method).

Income tax

Taxes on the result of EYNL are levied directly on the members. Taxes on subsidiaries (other than EYA and EYB) which are autonomous taxpayers are computed on the basis of the disclosed result, taking into account tax-exempt items and non-deductible expenses.

Any differences between measurement for tax purposes and for financial reporting purposes are also settled through the members' professional corporations. Consequently, no deferred tax arises.

Profit for the financial year available for distribution among members

The profit for the financial year available for distribution to members as reported in the consolidated statement of income is distributed according to an agreed system. The distributions to retired members are a contractual obligation of the members as a whole, and not EYNL.

The distribution of the consolidated result to the members is subject to the approval of EY Europe. Because of the timing difference of the approval the result of the financial year is recognized as part of equity. Distribution of profits is prohibited in the situation that the Board has made use of its discretionary powers and has decided to defer the payment of interest allowance of Members' capital and/or the repayment of Members' capital to (retired) members.

Drawing rights were settled in the financial years 2006/2007 and 2008/2009. EYNL and its predecessors facilitated the settlement by making payments on behalf of the members and obtaining the necessary financing. Each year, in accordance with a fixed schedule (in fixed amounts during a remaining period of 14.5 years), part of the consolidated profit available to members will not be distributed, but will be set off against the settled drawing rights in retained earnings.

Amounts paid to members in advance of profit distribution are recoverable from these members and recognized as a financial asset. Profit distributions to members are recognized as a deduction from equity when payment is no longer discretionary.

Work performed by members is not remunerated separately. The statement of income does not recognize notional remuneration for members as such remuneration cannot be regarded as determining the profit.

Property, plant and equipment

Capital expenditure in rented properties

Capital expenditure in rented properties is stated at cost less accumulated depreciation and/or any accumulated impairment losses.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

The present value of the expected dilapidation cost at the end of the lease is included in the cost of the asset if the recognition criteria for a provision are met. It is depreciated over the remaining terms of the leases. See Note 20 "Provisions" for the method for calculating the dilapidations costs provision.

Cars, fixtures and fittings, computers etc.

Cars, fixtures and fittings, computers etc. are stated at cost less accumulated depreciation and/or any accumulated impairment losses.

Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset:

► Capital expenditure in rented properties	Lease term, usually 10 years
► Cars (average lease term)	2012: 4.7 years; 2011: 4.7 years
► Fixtures and fittings, computers etc.	5 to 7 years

Depreciation is charged proportionately on additions during the year.

Contracts are reviewed for possible renewal options when determining the lease term for the capital expenditure in rented properties. The depreciation period for cars is the term of the finance lease.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

Impairment

The carrying value of all property, plant and equipment is tested for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

Finance lease

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to EYNL, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of income.

Assets leased through finance leases are depreciated over the useful life of the asset. However, if there is no reasonable certainty that EYNL will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Operating lease

All other lease contracts are considered to be operating leases. Operating lease payments are recognized as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Increases in annual rentals following rent reviews are recognized over the remaining lease term from the time they take effect. Lease incentives are recognized as a reduction of rental expenses over the contracted lease term.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the assets. Due to the absence of qualifying assets the impact is nil. All other borrowing costs are expensed in the period they occur.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization is based on the estimated useful economic life of the asset and charged using the straight-line method:

► Software	3 years
► Customer relationships	20 years

Intangible assets are tested for impairment whenever there is an indication that they may be impaired.

The amortization period and method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets is recognized in the statement of comprehensive income in a separate line item.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of comprehensive income when the asset is derecognized.

Impairment of non-financial assets

EYNL assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, EYNL estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

EYNL bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of EYNL's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of 1 to 3 year(s).

Impairment losses of continuing operations, are recognized in the statement of income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, EYNL estimates the asset's or CGUs recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

The following assets have specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually (as at 30 June) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Investment in joint venture

Until 15 November 2011 EYNL had an interest in the joint venture CE IT Services GmbH, a jointly-controlled entity, whereby the venturers had a contractual agreement that established joint control over the economic activities of the entity. The interest in CE IT Services GmbH was sold on 15 November 2011.

EYNL recognizes its interest in the joint venture using the equity method, under which the investment in the joint venture is carried in the statement of financial position at cost plus post-acquisition changes in EYNL's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. The statement of comprehensive income reflects the share of the results of operations of the joint venture in a separate line item.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables or available-for-sale financial assets. The classification of the financial assets is determined at initial recognition.

Financial assets are recognized initially at fair value plus directly attributable transaction costs in the case of loans and receivables.

The financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables and unquoted equity shares.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

1) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment.

Receivables are generally carried at the original invoiced amount, less an allowance for doubtful receivables where there is objective evidence that balances will not be recovered in full.

Unbilled receivables are for services provided but not yet billed. If the result of a transaction relating to a service can be estimated reliably, the unbilled receivables for that service are measured by reference to the stage of completion based on the estimated proceeds. Any amounts billed in advance are deducted from unbilled receivables.

Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

2) Available-for-sale assets

Participating interests in companies over which no significant influence is exercised over financial and operating policies are measured at fair value or, if that cannot be established reliably, at cost, taking into account impairment. Unrealized gains and losses are recognized through equity, until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the statement of comprehensive income, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the statement of comprehensive income.

Derecognition

A financial asset is derecognized on settlement.

Impairment of financial assets

EYNL assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, EYNL first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If EYNL determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The classification of the financial liabilities is determined at initial recognition.

Financial liabilities are recognized initially at fair value plus directly attributable transaction costs in the case of loans and borrowings.

The financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

After initial recognition, all interest-bearing and non-interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the amortization process.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Members' capital

In the period before 30 June 2011 members had unconditional rights to annual interest allowances and to repayment when membership ceased, resulting in classification as a financial liability. Due to amended contractual terms as at 30 June 2011 classification changed into Equity instruments. Reference is made to Note 1.6.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts;
- and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid prices for long positions and ask price for short positions) at the reporting date.

For financial instruments not traded in an active market, fair value is determined using appropriate valuation techniques. Such techniques may include:

- using recent arm's length market transactions;
- reference to the current fair value of another instrument that is substantially the same;
- a discounted cash flow analysis or other valuation models.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of one to three months.

Provisions

Provisions are recognized when EYNL 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 expense relating to any provision is presented in the statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Professional indemnity

In determining the amount of provision to be recognized in respect of alleged professional negligence claims, it is necessary to make a judgment as to whether EYNL has a present obligation as a result of a past event that gives rise to probable payments and, if so, whether the obligation can be reliably estimated. Where appropriate, provision is made based on the estimated cost to EYNL of defending and settling claims. These judgments and estimates are made on a claim-by-claim basis and take account of all available evidence. A different assessment could result in a change to the amount of provision recognized.

Obligation for members' drawing rights

During 2008/2009, the drawing rights of certain active members were set at fixed amounts and became an obligation of EYNL, payable upon their retirement date. In specific circumstances, mainly when the member leaves before the normal retirement date, no payment is due.

The obligation is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a current pre-tax rate. This estimate will be revised annually.

Dilapidations provision

The provision for dilapidations relates to the leases of offices. Dilapidations costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the dilapidations obligation. The unwinding of the discount is expensed as incurred and recognized in the statement of comprehensive income as a finance cost. The estimated future costs of dilapidations are reviewed annually and adjusted as appropriate.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognised but are disclosed unless the possibility of settlement is considered remote. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable. Separate disclosure is not made of any individual claim or of expected insurance recoveries where that disclosure might seriously prejudice the position of EYNL.

Provision for employee benefits

Pensions

EYNL has a defined contribution pension plan which is administered by a pension fund (Stichting Pensioenfonds Ernst & Young); the pension fund has reinsured its obligations and actuarial risks through an insurance company. EYNL is only required to pay the agreed contributions, which are fixed for a period of 3 years, to the pension fund. After payment of this premium EYNL does not have any further obligation to the fund or its employees in this respect. EYNL cannot be held liable for any losses suffered by the pension fund, even if the pension fund is discontinued. The premium paid does not contain any elements relating to past services. EYNL is not entitled to any refund. The contributions due to the pension fund are taken to the statement of income. Contributions payable and prepaid contributions are included under current liabilities and current assets respectively.

There is an obligation to index the paid-up entitlements of a limited, specific and closed group of former employees. This obligation is classified as a defined benefit plan. The plan is unfunded. Measurement is based on the projected unit credit method using a discount rate derived from the interest rate on high quality corporate bonds. Actuarial gains and losses are recognized immediately through profit or loss.

Salary payments during absence and long-service awards

The salary payments during absence consist of supplementary disability benefits under the Work and Income Act (WIA) and a provision which is formed for future payments in the event of termination of contracts of employment. Furthermore, a provision for long-service awards is made. The plans are unfunded.

Measurement for disability benefits is computed actuarially using factors for outflow, mortality and disability, and for long-service awards on probability rates, mortality rates and future salary increases. Actuarial gains and losses are recognized immediately through profit or loss.

These provisions are discounted using a rate derived from the interest rate on high quality corporate bonds.

Annuities retired members

Annuity liabilities regarding retired members are computed actuarially using a discount rate derived from the interest rate on high quality corporate bonds. Annuities are paid until the death of the person on whom the annuity is established.

Equity

Members' capital

After the amendments of the contractual conditions with respect to the funds provided by members, the classification of Members' capital changed into Equity instruments as at 30 June 2011. Reference is made to Note 1.6.

Retained earnings

From 2008/2009, the distribution of the consolidated result for the financial year is made following the approval of EY Europe and after the financial statements are signed on behalf of the members by the Designated Members. Therefore the consolidated result for the financial year is recognized as part of equity.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Distribution of profits is prohibited in the situation that the Board has made use of its discretionary powers and has decided to defer the payment of interest allowance of Members' capital and/or the repayment of Members' capital to (retired) members.

Amounts paid to members in advance of profit distribution are recoverable from these members and recognized as a financial asset. Profit distributions to members are recognized as a deduction from equity when payment is no longer discretionary.

Drawing rights were settled in the financial years 2006/2007 and 2008/2009. EYNL and its predecessors facilitated this by making the payment on behalf of the members and obtaining the necessary financing. The settlement was charged against equity (retained earnings) as it related to the settlement of an obligation of the members and not an obligation of EYNL.

Part of the withdrawn drawing rights will be funded each year by the then profit-sharing members. Each year, in accordance with a fixed schedule, part of the profit available to members will not be distributed, but set off against the settled drawing rights in equity (retained earnings).

The drawing rights of current members have also been set at fixed amounts and became an obligation of EYNL, payable upon their retirement date.

Statement of cash flows

The Statement of cash flows has been prepared using the indirect method.

Movements in Members' capital, Other loans and borrowings from members and Current accounts with current and retired members are presented as a single net amount.

Combined transactions are not recognized on the basis of their individual components: e.g. assets acquired through a finance lease are not recognized in the net cash flow used in investing activities or the net cash flow used in financing activities; instead only the actual payment of the finance lease obligations is included in the net cash flow used in financing activities; the interest element is recognized as part of overall interest in the financing cash flow. Additions to Property, plant and equipment of € 9.1 million (2010/2011: € 13.7 million) have been recognized as capital expenditure but financed through a finance lease.

Transactions denominated in foreign currencies are recognized at the exchange rate ruling on the transaction date.

On 4 July 2011, Partake Consulting B.V. was acquired, including the control of its wholly-owned subsidiaries in Belgium, France and the UK.

On 5 July 2011, the control of the Belgian, French and UK operations was transferred to the respective Ernst & Young member firms in these countries.

During 2008/2009, the drawing rights of current members were settled at fixed amounts and became an obligation, payable upon their retirement date. During 2011/2012 an amount of € 3.7 million was paid to retiring members (2010/2011: € 9.4 million).

3 Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the EYNL's financial statements are listed below:

- ▶ IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income
- ▶ IAS 12 Income Taxes - Recovery of Underlying Assets
- ▶ IAS 19 Employee Benefits (Amendment)
- ▶ IAS 27 Separate Financial Statements (as revised in 2011)
- ▶ IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
- ▶ IFRS 9 Financial Instruments: Classification and Measurement
- ▶ IFRS 10 Consolidated Financial Statements
- ▶ IFRS 11 Joint Arrangements
- ▶ IFRS 12 Disclosure of Interest in Other Entities
- ▶ IFRS 13 Fair Value Measurement
- ▶ IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- ▶ IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
- ▶ IFRIC 20 Stripping Costs in the Production Phase of as Surface Mine

The list of standards and interpretations set out below includes those which EYNL reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. EYNL intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to

profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on EYNL's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. EYNL is assessing the impact that this standard will have on the financial position and performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)

Following the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. EYNL is assessing the impact that this standard will have on the financial position and performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. EYNL already applies the equity method for investments in joint ventures.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. EYNL has studied the standard and is currently assessing its impact.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

EYNL has studied the standard and is currently assessing its impact.

IFRS 12 Disclosure of interest in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. EYNL is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

4 Significant accounting judgements, estimates and assumptions

The preparation of EYNL's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying EYNL's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Drawing rights

Drawing rights were settled/redeemed in the financial years 2006/2007 and 2008/2009 and EYNL and his predecessors facilitated this by making the payment on behalf of the members and obtaining the necessary financing. To finance the settlement of drawing rights in 2008/2009, EYGS, on behalf of EY Europe, committed (interest-free) loans in total of € 98.9 million and an equity contribution of € 74.1 million.

On 27 June 2012, these loans were transferred to EYGF.

The loans are measured on receipt at fair value of the future consideration using a discount rate of 5%. The settlement/redemption was charged against equity as it related to the settlement of a liability of the members and not a liability of EYNL.

Finance and operating leases

Until 31 December 2011, EYNL ran all significant risks and enjoyed all significant rewards inherent in the ownership of the cars and so they were recognized as being a finance lease.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease. The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

The management established on the basis of an evaluation of the terms and conditions for the arrangements that not all the significant risks and rewards of ownership of personal computers were transferred to EYNL. Consequently, the personal computers are recognized as an operating lease.

Pension plan

The contractual arrangements in the pension rules, the agreements with the pension fund, transparent communication on employees' entitlements and the insurance contract with leading professional insurance companies are of such a nature that from EYNL's position there is a plan under which all actuarial risks and rewards are placed outside EYNL after payment of the fixed annual premium. Based thereon it has been concluded that the pension plan qualifies as a defined contribution plan.

The obligation to index certain paid-up entitlements qualifies as a defined benefit plan, but because it is a limited, specific and closed group of former employees it is regarded as a separate plan and does not impact the classification of the general pension plan.

Members' capital / Equity

After the amendments of the contractual conditions with respect to the funds provided by members, the Board reassessed the classification to Equity instruments as at 30 June 2011. Reference is made to Note 1.6.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

EYNL based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue measurement

Estimates of the fair value of the services rendered have to be made to determine revenue. The estimates are made using a method based on a primary estimate by the member with final responsibility plus a review procedure. Revenue is determined taking into account the progress of the work. Where applicable, the variations in the contracted work are also taken into account.

Property, plant and equipment

Expenditure on property, plant and equipment is allocated according to estimates of the expected useful life of the asset and any residual value. In the case of capital expenditure in rented properties, there is also a review of whether options to renew the lease will be exercised. Part of the amount capitalised is the estimated expenditure required at the end of the lease for returning the leased premises to their original state. Further details on Property, plant and equipment are disclosed in Note 10.

Impairment of non-financial assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and forecasts for the next 1 to 3 year(s).

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 11.

Measurement of trade receivables

Trade receivables are measured on the basis of individual reviews and a collective review. Any impairment of outstanding receivables (including unbilled amounts) is assessed on the basis of objective evidence regarding the recoverability at the reporting date. Information becoming available after the reporting date that evidences that a loss already existed at the reporting date is taken into account as well. Further details on trade receivables are disclosed in Note 14.

Interest-bearing loans and borrowings - Drawing rights

The loans are measured on receipt at fair value of the future consideration using a discount rate of 5%.

Provision for professional indemnity

An estimate is made of future cash outflows and of the time they are expected to arise when determining this provision. Further details are disclosed in Note 20.

Employee benefits

Bonuses and payments to employees are set up annually based on budgeted assumptions. During the year and as at year end, the amounts of these bonuses and payments to employees are assessed whether they are still applicable regarding the business circumstances. Further details are disclosed in Note 21.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Fair value measurement of contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. The contingent consideration meets the definition of a financial liability and is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. As part of the identification and measurement of assets and liabilities in the acquisition of Partake Consulting B.V., EYNL identified an element of contingent consideration with a fair value of € 0.9 million at the acquisition date, remeasured to € 1.0 million as at the reporting date, which is classified as Other financial liability (see Notes 5 and 19).

Notes to the consolidated financial statements Ernst & Young Nederland LLP

5 Business combinations

ACQUISITION OF PARTAKE CONSULTING B.V. IN 2011/2012

On 4 July 2011 Ernst & Young Participaties B.V. acquired 100% of the shares of Partake Consulting B.V. including the control of its wholly-owned subsidiaries Partake Consulting Nederland B.V., Partake Consulting Belgium b.v.b.a, Partake Consulting SAS and Partake Consulting UK Ltd (hereinafter collectively referred to as: "Partake"). Partake is active in the field of enterprise performance management systems. Result of the acquisition is market leadership in the field of Enterprise Intelligence in Belgium, France and the Netherlands.

On the same date EYNL transferred control of the Belgian, French and UK operations to the respective Ernst & Young member firms in these countries at fair value.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Partake Consulting B.V. as at the date of acquisition were:

	Fair value recognized on acquisition
	€000
Assets	
Intangible assets identified at acquisition date	2,600
Property, plant and equipment	17
Trade and other receivables	1,250
Assets held for sale (subsidiaries with Belgian, French and UK operations)	4,447
Cash and cash equivalents	152
	8,466
Liabilities	
Trade and other payables	-867
Income tax payable	-95
	-962
Total identifiable net assets at fair value	7,504
Goodwill arising on acquisition (note 11)	2,776
Purchase consideration transferred	10,280

The fair value of the trade receivables amounts to € 1.1 million. The gross amount of trade receivables is € 1.1 million. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

At acquisition date, customer relationships of € 2.6 million were separately recognized.

The goodwill of € 2.8 million comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Advisory service line. None of the goodwill recognized is expected to be deductible for income tax purposes.

The acquisition took place at 4 July 2011. From the date of acquisition, Partake Consulting B.V. has contributed € 3.9 million of revenue and € 1.1 million in the gross margin of EYNL.

Purchase consideration

	€ 000
Cash paid	5,820
Deferred and additional consideration - fixed	3,591
Contingent consideration	869
Total consideration	10,280

Analysis of cash flows on acquisition:

Cash paid	-5,820
Net cash acquired with the subsidiary (included in cash flows from investing activities)	152
Net cash flow on acquisition	-5,668

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Contingent consideration

As part of the purchase agreement with the previous owner of Partake Consulting B.V., a contingent consideration has been agreed. There will be additional cash payments to the previous owner of Partake Consulting B.V. of € 1.2 million, depending on the achievement of a gross margin target.

The fair value at the acquisition date 4 July 2011 was € 0.9 million, which has been adjusted as at 30 June 2012 to € 1.0 million due to the interest charge as a result of the application of the amortized cost method.

As at 30 June 2012, it is expected that the gross margin target of Partake Consulting B.V. will be achieved. Accordingly, the fair value of the contingent consideration has not been adjusted for changes in underlying assumptions.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

6 Revenue

EYNL is not required to disclose segment information.

6.1 RENDERING OF SERVICES⁴

Fee income from rendering services is generated almost entirely in the Netherlands and can be broken down by service line as follows:

	2011/2012	2010/2011
	€000	€000
Assurance services	288,231	293,485
Tax services	193,685	199,492
Advisory services	83,528	75,336
Transaction advisory services	33,814	33,399
	599,258	601,712

6.2 OTHER INCOME

Other income was as follows:

	2011/2012	2010/2011
	€000	€000
Services to other entities within the Ernst & Young network	23,121	16,476
Share of HVG's result	1,021	2,752
	24,142	19,228

4) For reclassifications in 2010/2011 see Note 2.2 Basis of preparation.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

7 Operating expenses

7.1 SERVICES PROVIDED BY FOREIGN ERNST & YOUNG MEMBER FIRMS AND THIRD PARTIES

These are services and expenses attributable directly to assignments.

7.2 EMPLOYEE BENEFITS EXPENSES

The breakdown is as follows:

	2011/2012	2010/2011
	€000	€000
Salaries and bonuses	181,468	176,434
Social security charges	24,945	22,734
Pension contribution	22,352	20,947
Mobility expenses ⁴	23,419	19,344
Other staff expenses ⁴	21,535	7,344
	273,719	246,803

Salaries and bonuses include vacation allowance.

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

	2011/2012	2010/2011
	FTE	FTE
Client serving staff	2,656	2,522
Support staff	779	822
	3,435	3,344

Mobility expenses includes lease payments recognized as operating lease expenses of € 7.2 million (2010/2011: nil).

4) For reclassifications in 2010/2011 see Note 2.2 Basis of preparation.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

7.3 OTHER OPERATING EXPENSES

	2011/2012	2010/2011
	€000	€000
Premises	29,495	29,981
Other staff expenses ⁵	13,585	15,599
Office expenses	17,335	17,449
IT expenses	22,829	18,059
International Ernst & Young charges	39,967	35,633
Net foreign exchange gains and losses	-575	958
Other expenses ⁵	24,311	29,546
	146,947	147,225

IT expenses includes lease payments recognized as operating lease expense € 1.2 million (2010/2011: € 1.3 million).

Auditors' remuneration of € 249,000 (2010/2011: € 215,000) is included in Other expenses. Of these amounts, € 144,000 (2010/2011: € 169,000) was charged in respect of the partnership and the consolidated financial statements, € 46,000 (2010/2011: € 46,000) was in respect of subsidiary entities' financial statements and an amount € 59,000 (2010/2011: nil) for miscellaneous audit services.

5) For reclassifications in 2010/2011 see Note 2.2 Basis of preparation.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

8 Finance income and expenses

8.1 FINANCE INCOME

	2011/2012	2010/2011
	€000	€000
Interest on bank balances and deposits	451	520
Interest income on loans and receivables	24	132
	475	652

8.2 FINANCE EXPENSES

	notes	2011/2012	2010/2011
		€000	€000
Interest on members' capital		-	5,482
Interest on loans granted by current and retired members		2,149	2,249
Interest on current and retired members' current account balances		2,339	1,930
Total interest to current and retired members		4,488	9,661
Finance charges payable under finance leases		1,222	2,009
Interest on bank loans and borrowings			
(including amortised cost of loans and borrowings)		2,453	4,025
Unwinding of discount on provisions and loans	18,19,20,21	3,743	3,973
Other interest and similar expense		208	195
		12,114	19,863

The Interest on members' capital for the 2010/2011 financial year relates to the interest allowance for the period until 30 June 2011. Following the amendments to the contractual terms as at 30 June 2011, from this date the (interest) allowance granted to members is no longer part of the financial expenses but part of the total result (available for distribution among members). Reference is made to Note 1.6.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

9 Income tax income/(expenses)

	2011/2012	2010/2011
	€000	€000
Income tax: current financial year	17	-148
Income tax: previous financial year	39	-235
	56	-383

These tax charges relate exclusively to autonomous taxpaying subsidiaries. Tax on the remainder of the result for the financial year is borne by the members. As this also applies to differences in measurement for tax purposes and financial reporting purposes, consequently EYNL has no deferred tax assets or liabilities.

There are no direct equity movements on which current or deferred tax is computed.

There are no recognized or unrecognized losses available for relief.

The tax reconciliation in respect of group profits is as follows:

	2011/2012	2010/2011
	€000	€000
Profit before tax	108,463	123,266
Tax at 25% (2010/2011: 25.5%)	-27,116	-31,433
Tax on partnership profits borne personally by the members	27,133	31,383
Taxes payable for previous year	-15	-
Taxes payable by USA tax desk (current year)	-	-98
Taxes payable by USA tax desk (previous year)	54	-235
	56	-383

Notes to the consolidated financial statements Ernst & Young Nederland LLP

10 Property, plant and equipment

The movements were as follows:

At 1 July 2010

Additions
Disposals
Depreciation

At 30 June 2011

Additions
Disposals
Depreciation

At 30 June 2012

Cost
Accumulated depreciation

At 30 June 2011

Cost
Accumulated depreciation

At 30 June 2012

Capital expenditure in rented properties	Cars	Fixtures and fittings, computers	Total
€000	€000	€000	€000
33,877	30,615	14,783	79,275
1,330	13,682	649	15,661
-12	-4,967	-10	-4,989
-5,229	-7,521	-4,266	-17,016
29,966	31,809	11,156	72,931
1,450	9,069	484	11,003
-8	-22,930	-215	-23,153
-5,634	-5,387	-3,873	-14,894
25,774	12,561	7,552	45,887
64,961	50,023	47,923	162,907
-34,995	-18,214	-36,767	-89,976
29,966	31,809	11,156	72,931
61,942	22,009	41,495	125,446
-36,168	-9,448	-33,943	-79,559
25,774	12,561	7,552	45,887

Contractual obligations for purchasing property, plant and equipment were negligible at 30 June 2012 and 30 June 2011.

Until 31 December 2011, EYNL ran all significant risks and enjoyed all significant rewards inherent in the ownership of the cars and so classified as a finance lease. EYNL is the beneficial owner but not the legal owner of the cars.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease. The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

All other property, plant and equipment is at the free disposal of EYNL (i.e. it has not been granted as security).

Notes to the consolidated financial statements Ernst & Young Nederland LLP

11 Intangible assets

	Customer relationships	Goodwill	Software	Total
	€000	€000	€000	€000
At 1 July 2010	-	-	206	206
Additions	-	-	-	-
Amortization	-	-	-140	-140
At 30 June 2011	-	-	66	66
Additions	-	-	-	-
Acquisition of a subsidiary (Note 5)	2,600	2,776	-	5,376
Amortization	-130	-	-28	-158
Impairment	-	-	-	-
At 30 June 2012	2,470	2,776	38	5,284
Cost	-	-	722	722
Accumulated amortization and impairment	-	-	-656	-656
At 30 June 2011	-	-	66	66
Cost	2,600	2,776	722	6,098
Accumulated amortization and impairment	-130	-	-684	-814
At 30 June 2012	2,470	2,776	38	5,284

Acquisition during the year

Further details of acquired customer relationships and goodwill are included in Note 5.

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the Advisory service line.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions: budgeted revenue, budgeted gross margin and budgeted operating income.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

As a result of analysis, management did not identify an impairment as at 30 June 2012.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

12 Investment in joint venture

On 15 November 2011, Ernst & Young Participaties B.V. sold a 50% interest in CE IT Services GmbH, a jointly controlled entity which is involved in providing IT services to the member firms of EY Global, to GFIS GmbH at book value (€ 25,000).

During 2011/2012, an adjustment on the result of previous years for an amount of € 12,000 was received.

The share of the assets, liabilities, income and expenses of the jointly controlled entity at 30 June 2011 and for the year then ended was as follows:

	30 June 2011
	€000
Current assets	2,489
Non-current assets	2,507
	4,996
Current liabilities	-4,931
Non-current liabilities	-53
Share of net assets	12
Revenue	4,443
Profit for the year after tax	155
Adjustment to result of previous years (based on final figures)	13
Share of profit from joint venture	168

EYNL's share in the contingent liabilities of the joint venture was negligible.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

13 Other current and non-current financial assets

	Effective interest rate	Maturity (financial year)	30 June 2012	30 June 2011
	%		€000	€000
Non-current				
Available-for-sale investment - unquoted equity shares	n/a	n/a	4,578	1,304
Loans granted to current members	7.5%	2014-2015	61	126
Loans granted to employees	n/a	2014	50	29
			4,689	1,459
Current				
Loan granted to joint venture	6.0%	n/a	-	800
Loans granted to current members	7.5%	2013	40	248
Loans granted to employees	n/a	2013	49	53
			89	1,101

As at 30 June 2012 and 30 June 2011 there are no past-due amounts.

Available-for-sale investment - unquoted equity shares

EYNL holds minority interests in Ernst & Young Real Estate GmbH (7.00%), EYGI B.V. (5.86%), EY Holdings Ltd (19.68%) and EY Global Finance Inc. (4.57%). The fair value of the investments in equity instruments cannot be estimated reliably and so they are measured at cost.

During 2011/2012 Ernst & Young Participaties B.V. acquired a 4.57% interest in EY Global Finance Inc.

Loan granted to joint venture

The lender has the right to terminate all or part of the loan agreement at the end of each calendar month, subject to a notice period of four weeks.

The loan was fully repaid on 24 August 2011.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

14 Trade and other receivables⁶

	30 June 2012	30 June 2011
	€000	€000
Unbilled receivables	74,136	97,466
Trade receivables	94,869	94,903
Receivables from related parties	20,432	21,085
Other receivables	5,292	15,781
	194,729	229,235

14.1 UNBILLED RECEIVABLES

If the amount received in advance exceeds the balance of unbilled receivables, the net amount is recognized as liability.

Unbilled receivables are pledged to Stichting Confidentia 2004 as security for the loans granted by current and retired members.

Amounts are not yet billed and therefore no past due amounts exist.

6) For reclassifications in 2010/2011 see Note 2.2 Basis for preparation.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

14.2 TRADE RECEIVABLES

Trade receivables are contractually due within 14 days.

Trade receivables are pledged to Stichting Confidentia 2004 as security for the loans granted by current and retired members.

The trade receivables are shown net of impairment. The total amount of impairment as at 30 June 2012 for these receivables is € 3.5 million (30 June 2011: € 3.3 million). The movement in the provision for impairment was as follows:

	Total
	€000
At 1 July 2010	-3,328
Charge for the year	-1,577
Release of unused amounts	1,283
Written off	336
At 30 June 2011	-3,286
Charge for the year	-1,904
Release of unused amounts	973
Written off	714
At 30 June 2012	-3,503

The ageing of trade receivables at 30 June was as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-90 days	90-180 days	180-365 days	>365 days
	€000	€000	€000	€000	€000	€000	€000
30 June 2012	94,869	41,223	28,198	16,011	5,696	2,598	1,143
30 June 2011	94,903	39,405	31,026	17,512	3,722	2,329	909

Notes to the consolidated financial statements Ernst & Young Nederland LLP

14.3 RECEIVABLES FROM RELATED PARTIES

The receivables from related parties are shown net of impairment.

The total amount of impairment as at 30 June 2012 for these receivables is nil (30 June 2011: nil).

The ageing of related party receivables at 30 June was as follows:

	Past due but not impaired						
	Total	Neither past due nor impaired	<30 days	30-90 days	90-180 days	180-365 days	>365 days
	€000	€000	€000	€000	€000	€000	€000
30 June 2012	20,432	19,245	759	246	67	100	15
30 June 2011	21,085	19,567	79	200	1,071	93	75

Notes to the consolidated financial statements Ernst & Young Nederland LLP

14.4 OTHER RECEIVABLES

Other receivables are shown net of impairment. The total amount of impairment as at 30 June 2012 for these receivables is € 0.1 million (30 June 2011: € 0.1 million). The movement in the provision for impairment was as follows:

	Total
	€000
At 1 July 2010	-1,278
Charge for the year	-149
Release of unused amounts	102
Written off	1,176
At 30 June 2011	-149
Charge for the year	-229
Release of unused amounts	63
Written off	192
At 30 June 2012	-123

The ageing of Other receivables at 30 June was as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
	€000	€000	<30 days	30-90 days	90-180 days	180-365 days	>365 days
	€000	€000	€000	€000	€000	€000	€000
30 June 2012	5,292	4,529	84	203	91	355	30
30 June 2011	15,781	12,739	33	383	919	345	1,362

Notes to the consolidated financial statements Ernst & Young Nederland LLP

15 Prepayments

	30 June 2012	30 June 2011
	€000	€000
Profit-share advances paid to current members	55,028	60,175
Prepaid pension contributions	11,430	10,808
Other prepayments	31,265	29,978
	97,723	100,961

16 Cash and short-term deposits

	30 June 2012	30 June 2011
	€000	€000
Cash at banks and in hand	61,781	43,390
Short-term deposits	-	20,487
	61,781	63,877

Cash at banks earns interest at floating rates based on daily bank deposit rates (varying between 0.08% and 0.38% at 30 June 2012 and between 0.71% and 0.98% at 30 June 2011).

Short-term deposit relates to Letter of Credit facilities of US\$ 25.5 million.

Reference is made to Note 27.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

17 Trade and other payables⁷

	Notes	30 June 2012	30 June 2011
		€000	€000
Amounts due to current and retired members		49,253	60,711
Trade payables		12,963	17,854
Taxes and social security		29,252	27,636
Related party payables		12,421	8,927
Amounts received in advance from clients		43,723	51,474
Other financial liabilities at amortized cost	19	3,224	-
Other payables		18,659	22,082
		169,495	188,684

Trade payables are normally settled on 30 day terms.

Amounts due to current and retired members are current account balances.

Amounts drawn by current members as advances on the profit share are presented as Prepayments.

18 Interest-bearing loans and borrowings

	Notes	Effective interest rate	Maturity (financial year)	30 June 2012	30 June 2011
		%		€000	€000
Current					
Loans granted by current and retired members		5.0%	2013	11,130	-
Bank loan to finance settlement of drawing rights		4.5%	2013	10,000	48,750
Private loan to finance settlement of drawing rights		5.0%	2013	14,133	7,420
Car lease obligations	27	5.0%	2013	4,538	9,584
				39,801	65,754
Non-current					
Loan granted by current and retired members		4.9%	2014-2019	37,680	32,745
Bank loan to finance settlement of drawing rights		4.5%	2016	27,500	8,750
Private loan to finance settlement of drawing rights		5.0%	Up to 2049	32,802	44,347
Car lease obligations	27	3.0%	2016	8,022	22,224
				106,004	108,066

7) For reclassifications in 2010/2011 see Note 2.2 Basis of preparation.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Loans granted by current and retired members

These loans are held by Stichting Confidentia 2004 on behalf of the current and retired members. This foundation holds pledges on the unbilled receivables and receivables from clients. In the event of the death of a current or former member, his/her professional corporation can demand early repayment of the amount of the loan outstanding at that time. The loans are not subordinated.

The loans are repayable according to the following schedule:

	Rate	In €000
On 31 December 2012	5.00%	11,130
On 30 June 2013	4.00%	3,280
On 31 March 2014	4.25%	10,765
On 31 May 2015	5.25%	10,035
On 30 June 2016	5.00%	8,000
On 1 February 2017	Variable	2,675
On 1 February 2019	6.25%	2,925

Bank loan to finance settlement of drawing rights

This loan was obtained from Van Lanschot to finance the partial settlement of drawing rights of retired members in 2006/2007. The original term of the loan was ten years. The loan is being repaid in quarterly instalments of € 2.5 million and runs to 31 March 2017. The interest on the loan is 4.5% per year. In June 2012 an extra repayment of € 10 million was made. It is possible to repay an additional 10% of the original sum each year without penalty.

Private loan to finance settlement of drawing rights

EYGS on behalf of EY Europe has committed a total of € 98.9 million in loans to finance the settlement of drawing rights in 2008/2009 and € 49.5 million of this amount was received on 1 July 2009. The remaining € 49.4 million was received on 31 December 2009.

On 27 June 2012, these loans were transferred to EYGF.

The loans are interest-free and are measured on receipt at the fair value of the future consideration using a discount rate of 5%. For the financial year 2011/2012 the interest charge due to application of the amortized cost method amounts to € 2.6 million (2010/2011 € 3.0 million).

An amount of € 7.4 million was repaid in June 2012 (June 2011: € 7.4 million).

€ 44.5 million of the loans will be repaid over 3 years with the final instalment being paid in 2015; € 29.7 million is repayable in the 2 to 5 year interval and € 14.8 million within one year.

The amortized cost of the loan with a face value of € 39.5 million will be assessed annually from current information on future cash flows (and, if necessary, revising the amortized cost).

The difference (€ 44.9 million) between the amounts received and the fair value at the time of receipt is recognized as a contribution to the withdrawals paid (net amount recognized in Equity, see Note 23).

Lease obligations for cars

Until 31 December 2011, EYNL ran all significant risks and enjoyed all significant rewards inherent in the ownership of the cars and so they were recognized as being a finance lease.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease.

The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

19 Other financial liabilities

	Notes	30 June 2012	30 June 2011
		€000	€000
Financial liabilities at fair value through profit or loss			
Contingent consideration	5	973	-
Other financial liabilities at amortized cost			
Other considerations	5	3,975	-
Total other financial liabilities		4,948	-
With a term < 1 year	17	3,224	-
With a term > 1 year		1,724	-
		4,948	-

Contingent consideration

As part of the purchase agreement with the previous owner of Partake Consulting B.V., a contingent consideration has been agreed (see Note 5). Besides the fixed deferred considerations, there will be an additional cash payments to the previous owner of Partake Consulting B.V. of € 1.2 million, depending on the achievement of a gross margin target.

As at 30 June 2012, it is the expectation that the gross margin target of Partake Consulting B.V. will be achieved. Accordingly, the fair value of the contingent consideration has not been adjusted for changes in underlying assumptions.

The fair value at the acquisition date 4 July 2011 was € 0.9 million, which has been adjusted as of 30 June 2012 to € 1.0 million due to the interest charge as a result of the application of the amortized cost method.

The consideration is due for final measurement and payment to the former shareholders in July 2014. No significant change to the consideration is expected.

Other consideration

Based on the share purchase agreement a deferred consideration and additional fixed consideration will have to be paid in the next two years. For these payments the present value is calculated using a discount rate based on a risk free rate.

The amount to be paid in the next financial year is included in the Trade and other payables - Other payables (Note 17).

Notes to the consolidated financial statements Ernst & Young Nederland LLP

20 Provisions

	Professional indemnity	Premises	Drawing rights of current members	Total
	€000	€000	€000	€000
At 1 July 2010	9,604	4,199	28,839	42,642
Additions	-	742	69	811
Expenditure charged to provisions	-435	-159	-9,381	-9,975
Amounts released	-5,441	-1,350	-478	-7,269
Unwinding of discount	-	116	713	829
At 30 June 2011	3,728	3,548	19,762	27,038
Additions	629	336	-	965
Expenditure charged to provisions	-762	-763	-3,662	-5,187
Amounts released	-996	-470	-4	-1,470
Unwinding of discount	-	91	805	896
At 30 June 2012	2,599	2,742	16,901	22,242
At 30 June 2011				
with a term < 1 year	2,163	1,052	3,661	6,876
with a term > 1 year	1,565	2,496	16,101	20,162
	3,728	3,548	19,762	27,038
At 30 June 2012:				
with a term < 1 year	2,599	428	3,255	6,282
with a term > 1 year	-	2,314	13,646	15,960
	2,599	2,742	16,901	22,242

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Professional indemnity

Professional indemnity claims, other than the policy excess, are insured under the Ernst & Young International insurance program. The professional indemnity provision serves to cover current exposures, with a maximum per event of the uninsured policy excess. Based on the best estimate of timing the cash outflow is not discounted.

In the normal course of business, EYNL may receive claims for alleged negligence. Substantial insurance cover is carried in respect of professional negligence. Cover is principally written through captive insurance companies involving other Ernst & Young firms and a significant proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action can take longer. Contingent liabilities arise where payments resulting from a claim are not probable or where it is not possible to reliably estimate the financial effect of a claim.

Premises

A provision has been formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but which are unoccupied. This provision also relates to the expected cost of returning rented offices to their original condition when they are vacated.

The provisions for vacant office buildings and dilapidation costs are calculated at present value using a discount rate of 4.0% (30 June 2011: 4.0%).

Drawing rights of current members

During 2008/2009, the drawing rights of current members were set at fixed amounts and became an obligation of EYNL, payable upon their retirement date.

The obligation is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a pre-tax rate of 5.0% (30 June 2011: 5.0%).

Notes to the consolidated financial statements Ernst & Young Nederland LLP

21 Employee benefits

Current liabilities

Payments to staff
Salary payments during absence
Provision for long-service awards
Annuities retired members

Non-current liabilities

Defined benefit pension plan
Salary payments during absence
Provision for long-service awards
Annuities retired members

30 June 2012	30 June 2011
€000	€000
25,825	29,617
16,006	2,838
392	399
35	53
42,258	32,907
1,969	1,966
382	1,188
1,953	1,849
100	177
4,404	5,180

Payments to staff relates to amounts to be paid for holidays, overtime and bonuses.

21.1 DEFINED CONTRIBUTION PENSION PLAN

EYNL has a defined contribution pension plan which is administered by a pension fund (Stichting Pensioenfonds Ernst & Young); the pension fund has reinsured its obligations and actuarial risks through an insurance company. EYNL is only required to pay the agreed contributions, a premium fixed for a period of 3 years, to the pension fund. After payment of this premium EYNL does not have any further obligation to the fund or its employees in this respect. EYNL cannot be held liable for any losses suffered by the pension fund, even if the pension fund is discontinued. The premium paid does not contain any elements relating to past services. EYNL is not entitled to any refund.

The contributions due to the pension fund are taken to the statement of income.

Contributions payable and prepaid contributions are included under current liabilities and current assets respectively.

The total amount of the defined contribution plan charged through profit and loss during the financial year was € 22.4 million (2010/2011: € 20.9 million).

Notes to the consolidated financial statements Ernst & Young Nederland LLP

21.2 INDEXATION OBLIGATION

There is an obligation to index the paid-up entitlements of a limited, specific and closed group of former employees. This obligation is classified as a defined benefit plan. The plan is unfunded. Measurement is based on the projected unit credit method using a discount rate derived from the interest rate on high quality corporate bonds. Actuarial gains and losses are recognized immediately through profit or loss.

The tables below summarise the components of the amounts recognized in the statement of financial position for the plan:

Defined Benefit Obligation

At 1 July
Interest cost
Current service cost
Benefits paid
Actuarial losses/(gains) on obligation

At 30 June

With a term < 1 year
With a term > 1 year

The principal assumptions used are:

Discount rate
General salary increase
Inflation
Mortality rates

The total amount of defined benefit obligation charged through profit and loss during the financial year was nil (2010/2011: € 0.2 million).

2011/2012	2010/2011
€000	€000
1,966	1,767
92	88
-	-
-	-
-89	111
1,969	1,966

30 June 2012	30 June 2011
-	-
1,969	1,966
1,969	1,966

30 June 2012	30 June 2011
%	%
4.2	4.7
0.0	0.0
0.3	0.3
Dutch AG Prognosetafels 2010-2060	Dutch AG Prognosetafels 2010-2060

Notes to the consolidated financial statements Ernst & Young Nederland LLP

21.3 SALARY PAYMENTS DURING ABSENCE

This provision relates to salary to be paid in the event of termination of contracts of employment and supplementary disability benefits under the Work and Income Act (WIA).

The movements in the provision were as follows:

	2011/2012	2010/2011
	€000	€000
At 1 July	4,026	2,498
Additions	16,774	9,016
Expenditure charged to provisions	-3,215	-4,275
Released	-1,381	-3,313
Unwinding of discount	184	100
At 30 June	16,388	4,026

	30 June 2012	30 June 2011
With a term < 1 year	16,006	2,838
With a term > 1 year	382	1,188
	16,388	4,026

The principal assumptions used are:

	30 June 2012	30 June 2011
	%	%
Discount rate	4.0	4.0
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	Dutch AG Prognosetafels 2010-2060	Dutch AG Prognosetafels 2010-2060

Notes to the consolidated financial statements Ernst & Young Nederland LLP

21.4 PROVISION FOR LONG-SERVICE AWARDS

The provision for long-service awards relates to costs attributable to future long-service payments relating to past years of employment, taking into account the probability of staff leaving and death.

	2011/2012	2010/2011
	€000	€000
At 1 July	2,248	1,835
Additions	572	937
Expenditure charged to provisions	-564	-597
Released	-1	-
Unwinding of discount	90	73
At 30 June	2,345	2,248

	30 June 2012	30 June 2011
With a term < 1 year	392	399
With a term > 1 year	1,953	1,849
	2,345	2,248

The principal assumptions used are:

	30 June 2012	30 June 2011
	%	%
Discount rate	4.0	4.0
Factor for outflow, decease and disability	20.4	20.1
Future salary increase	3.5	2.9

Notes to the consolidated financial statements Ernst & Young Nederland LLP

22 Members' capital

In the period before 30 June 2011 members had unconditional rights to annual interest allowances and to repayment when membership ceased, resulting in classification as a financial liability. Due to amended contractual terms as at 30 June 2011 classification changed into Equity instruments. Reference is made to Note 1.6.

	30 June 2012	30 June 2011
	€000	€000
Contractual capital contribution by members	75,543	75,036

The movements were as follows:

	2011/2012	2010/2011
	€000	€000
At 1 July	75,036	74,007
Contributions	4,760	4,392
Repayment on retirement	-4,253	-3,363
At 30 June	75,543	75,036

The number of members and the capital contribution for each LLP and/or partnership is as follows:

	30 June 2012		30 June 2011	
	Number of members	Capital contribution (in € million)	Number of members	Capital contribution (in € million)
EYA	140	50.0	140	48.5
EYB	74	25.5	74	26.5
EYNL	214	75.5	214	75.0
Members retired in financial year	13		17	
Number of profit-sharing partners	227		231	

Each member is required to make a capital contribution according to a capital-contribution method that is equal for all members.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

23 Reserves

23.1 RESULT FOR THE FINANCIAL YEAR

The consolidated result for the financial year and any distribution thereof is made following the approval of EY Europe.

23.2 RETAINED EARNINGS

This reserve relates to the settlement of drawing rights in the financial years 2006/2007 and 2008/2009 to former members and partners, which will be settled in annual instalments in the period to 2026 (14.5 years) with the then profit-sharing members. It also includes the present value of the arrangements made in 2008/2009 for drawing rights of members eligible in that year. The amount of contributions and other amounts for this received from EYGS on behalf of EY Europe is deducted from the reserve.

23.3 OTHER RESERVE

This refers to the obligation to index the paid-up entitlements of a limited, specific and closed group of former employees.

21.4 MOVEMENTS

Please see the Consolidated Statement of Changes in Equity.

24 Financial instruments

24.1 FINANCIAL RISK MANAGEMENT AND OBJECTIVES

EYNL's financial instruments arise from normal commercial activities and include amounts owed to and receivable from current and retired members. EYNL does not use financial instruments for speculative activity and complex financial instruments are avoided.

Financial instruments give rise to credit, liquidity, interest rate and foreign currency risks. Information about how these risks arise and are managed is set out below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises primarily from client debtors and unbilled receivables and other financial assets including deposits with banks and financial institutions and amounts due from members. EYNL's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2012 and 30 June 2011 is the carrying amounts presented in Notes 14 and 16. Due to the nature of the receivables presented in Notes 13 and 15 (members, employees and Ernst & Young member firms) no or very limited risk applies.

EYNL maintains procedures to minimize the risk of default by trade debtors. Services are provided to such a large group of clients that there is no concentration of credit risk. Credit risk is not covered by credit insurance or other credit instruments other than billing in advance in certain cases.

Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable within 14 days after presentation.

Note 14 presents information on the ageing of receivables and provisions for impairment.

Amounts due from members are expected to be recovered from the current year's profit distribution.

Cash deposits are placed only with creditworthy banks. Deposits of surplus funds are made only with approved counterparties and within limits assigned to each counterparty. The limits are set to adhere to independence rules, to minimise the concentration of risks and, therefore, to mitigate financial loss from a potential counterparty failure.

Liquidity risk

Liquidity risk is the risk that EYNL is unable to meet its financial obligations on the due date. Liquidity risk arises from the ongoing financial obligations of EYNL, including settlement of financial liabilities such as trade and other payables, as well as interest-bearing loans and borrowings and members' capital. The policy is to maintain a positive amount of working capital. Depending on the time of year, there can be a considerable balance of cash and cash equivalents.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

The maturity profile of the contractual payments, including interest, arising from EYNL's financial liabilities at year end, is as follows (the amounts disclosed are the gross undiscounted cash flows):

Year ended 30 June 2012

	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings:					
- Contractual payments	41,083	42,298	57,564	42,925	183,870
- Interest payments	3,890	3,154	3,506	289	10,839
Trade and other payables	169,495	-	-	-	169,495
	214,468	45,452	61,070	43,214	364,204

Year ended 30 June 2011

	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings:					
- Contractual payments	66,619	43,229	64,706	40,000	214,554
- Interest payments	5,594	2,739	2,359	-	10,692
Members' capital:					
- Contractual payments	-	-	-	-	-
- Interest payments	5,842	-	-	-	5,842
Trade and other payables	188,684	-	-	-	188,684
	266,739	45,968	67,065	40,000	419,772

Notes to the consolidated financial statements Ernst & Young Nederland LLP

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. Capital expenditure on cars is funded by both finance leases and operational leases, reference is made to Note 10. The other main source of financing capital expenditure is funding supplied by current and retired members.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises primarily from interest-bearing loans and borrowings and cash and cash equivalents.

An inherent feature of a structure in which current and retired members provide a significant part of the funding for activities is that the variability is not hedged by derivatives.

A fixed rate of interest is paid on long-term loans granted by current and retired members equal to the effective yield on government bonds with a remaining maturity of five years, plus a premium of one to two percentage points. On one loan granted by current and retired members a variable interest is paid. The interest on current account liabilities to current and retired members is assessed quarterly.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Funds drawn for settlement of drawing rights are interest-free or bear a fixed interest rate. Interest on finance leases is fixed for the term of the lease.

Surplus liquid funds are deposited at current market rates with a limited risk of fluctuations and a maturity of no more than three months.

Interest rate risks are not hedged in any way by derivatives.

The following table shows the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the profit of EYNL before tax is affected through the impact on floating rate borrowings as follows.

	Increase/ decrease	Effect on profit before tax
	in base points	€000
2011/2012		
Euro	+15	93
Euro	-15	-93
2010/2011		
Euro	+15	96
Euro	-15	-96

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Although the majority of the income and expenses of EYNL are denominated in Euros, foreign currency risk arises from transactions denominated in other currencies, particularly the US dollar and pound sterling. Balances in foreign currency bank accounts are held to facilitate cash management and to provide means for future payments in other than Euros denominated currencies.

If the US dollar exchange rate were to change by 10%, the impact of such a change on profit or loss would be € 2.3 million (2010/2011: € 1.8 million) as a result of changes in the carrying amount of US dollar-denominated cash and amounts receivable/payable. If the sterling exchange rate were to change by 10%, the impact of such a change on profit or loss would be € 0.03 million (2010/2011: € 0.02 million) as a result of changes in the carrying amount of sterling-denominated cash and amounts receivable/payable.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

24.2 OTHER NOTES

Reconciliation of classes and categories

All presented groups of financial assets, other than Other non-current financial assets, are part of the loans and receivables category measured at amortized cost. The financial assets in Other non-current financial assets are in the available-for-sale category and are measured at fair value, if it can be measured reliably, or otherwise at cost.

All presented groups of financial liabilities are part of the loans and borrowings category, measured at amortized cost. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination and is subsequently remeasured to fair value at each reporting date.

Fair values

Based on the following assumptions, the fair value of EYNL's financial instruments approximate their carrying amount.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate receivables are evaluated by EYNL using parameters such as interest rates, individual creditworthiness of the borrower and the risk characteristics of the financed project. Based on this evaluation, no impairment has been deemed necessary to recognize expected losses on these receivables. At 30 June 2012 and 30 June 2011, the carrying amounts of these receivables approximated their fair value.
- The fair value of the available-for-sale investments cannot be established reliably and so these investments are measured at cost.
- The fair value of fixed-rate borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

Fair value hierarchy

As at 30 June 2012 and 30 June 2011 the fair value of financial instruments approximate their carrying amount.

25 Liquidity management

EYNL's objective when managing capital is to safeguard its ability to continue as a going concern. Partly in view of its independence requirements, EYNL aims for financing which is predominantly provided voluntarily or compulsorily by the members (and retired members).

Each member can be demanded to contribute an amount, not exceeding the amount (if any) unpaid in respect of the capital obligation for which the member is liable as a member.

Certain categories of property, plant and equipment such as cars and computer equipment are funded through finance or operating leases.

Working capital is managed so that in principle no other external bank or other financing needs to be drawn. The same criteria apply to advances of profit shares to the members for the financial year. An exception to this is specific financing of the settlement of drawing rights for which a bank loan and loans from EYGF have been drawn.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

26 Related party disclosures

Ultimate parent

EYNL's immediate and ultimate parent is EY Europe, a partnership with limited liability under English Law. The results of the firm will be included in the group financial statements of EY Europe, copies of which will be available from its registered office, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Other related parties

The financial statements include the financial information of EYNL and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest	
		30 June 2012	30 June 2011
Ernst & Young Accountants LLP	United Kingdom	100%	100%
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	100%	100%
Ernst & Young Participaties B.V.	The Netherlands	100%	100%
Ernst & Young VAT Rep B.V.	The Netherlands	100%	100%
Ernst & Young Actuarissen B.V.	The Netherlands	100%	100%
Partake Consulting B.V.	The Netherlands	100%	-
Partake Consulting Nederland B.V.	The Netherlands	100%	-
Ernst & Young CertifyPoint B.V.	The Netherlands	100%	100%
GS Participation Ltd	United Kingdom	100%	100%
Ernst & Young Transaction Advisory Services B.V.	The Netherlands	-	100%

EYB has a strategic alliance with HVG.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

On 4 July 2011 Ernst & Young Participaties B.V. acquired 100% of the shares of Partake Consulting B.V. including the control of its wholly-owned subsidiaries Partake Consulting Nederland B.V., Partake Consulting Belgium b.v.b.a, Partake Consulting SAS and Partake Consulting UK Ltd.

On the same date EYNL transferred control of the Belgian, French and UK operations to the respective Ernst & Young member firms in these countries.

On 5 July 2011 the assets and liabilities of Partake Consulting B.V. and Partake Consulting Nederland B.V. were transferred to Ernst & Young Accountants LLP.

On 21 December 2011 Ernst & Young Transaction Advisory Services B.V. was liquidated.

The following table provides the total amount of transactions that have been entered into with related parties during the relevant financial year.

For information regarding outstanding balances at 30 June 2012 and 30 June 2011, refer to Notes 14 and 17.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties
		€000	€000	€000	€000
Entity with control and/or significant influence over EYNL: EY Europe	2011/2012	-	-	-	-
	2010/2011	-	-	-	-
Entities under common control	2011/2012	18,152	25,976	6,797	4,720
	2010/2011	26,935	27,973	9,747	1,996
HVG	2011/2012	8,851	4,430	2,319	-
	2010/2011	8,416	5,672	3,250	-

* Gross amounts

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Terms and conditions of transactions with related parties

Services provided to and received from related parties are generally settled at prices applicable in normal market circumstances.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 30 June 2012 EYNL has not recorded any impairment of related parties receivables (30 June 2011: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

Entities under common control comprise entities controlled by EYNL's parent undertaking, EY Europe LLP, and therefore represent a related party relationship.

EY Europe LLP is able to exert significant influence over EY Global Finance, Inc, meaning that it is a related party of the firm. At the period end, loans of € 98.9 million were provided by EY Global Finance, Inc. These loans are interest free (See note 27).

EY Europe LLP is also able to exert significant influence over EYGS LLP meaning that it, and its subsidiaries, are related parties of the firm.

At the year end there were balances owing from and to EYGS LLP Group of € 11.3 million (2011: € 8.1 million) and € 7.7 million (2011: € 6.9 million) respectively. Sales to EYGS LLP Group during the year amounted to € 32.4 million (2011: € 21.2 million). Purchases from EYGS LLP Group during the year amounted to € 73.3 million (2011: € 50.8 million).

Compensation of key management personnel of EYNL

Key management are the Designated Members of EYNL, EYA and EYB during the financial year. These members do not receive any remuneration other than their participation in the result available for distribution through their professional corporations, being a total of € 2,813,000 (2010/2011: € 3,232,000).

Notes to the consolidated financial statements Ernst & Young Nederland LLP

27 Commitments and contingencies

Operating lease commitments

EYNL has entered into long-term leases for office premises and operating leases for personal computers and cars. These leases have an average life between 1 and 11 years and may have renewal options included in the contracts. Future minimum rentals payable are as follows:

	Year ended 30 June 2012				Year ended 30 June 2011		
	Personal computers, copiers	Cars	Office leases	Total	Personal computers, copiers	Office leases	Total
	€000	€000	€000	€000	€000	€000	€000
Within 1 year	2,642	5,570	28,734	36,946	2,118	26,984	29,102
Between 1 and 5 years	1,253	11,085	80,994	93,332	3,049	90,630	93,679
More than 5 years	-	-	20,573	20,573	-	30,918	30,918
	3,895	16,655	130,301	150,851	5,167	148,532	153,699

The lease commitments relate only to the actual commitments at year end, excluding any service or other charges. Future rent increases have been ignored except for those contracts which have been indexed (assumed to be 1.5%). Guarantees totalling some € 1.0 million (2010/2011: € 1.0 million) have been issued for lease commitments.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease.

The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Finance lease commitments

Until 31 December 2011, EYNL had entered into finance lease contracts to finance the fleet of cars, with an average term of five years at fixed leasing rates. EYNL will bear the financial consequences of any premature termination of these leases.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease.

The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

Finance leasing charges for the financial year amount to € 14.7 million (2010/2011: € 28.5 million).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum payments	2012 Present value of payments (Note 18)	Minimum payments	2011 Present value of payments (Note 18)
	€000	€000	€000	€000
Within 1 year	7,466	6,692	17,049	14,992
Between 1 and 5 years	10,579	9,715	31,352	28,623
After 5 years	-	-	-	-
Total minimum lease payments	18,045	16,407	48,401	43,615
Lease charges still to be incurred (incl. fuel)	-4,240	-3,848	-13,148	-11,806
Total minimum lease commitment	13,805	12,559	35,253	31,809
Less amounts representing finance charges	-1,246	-	-3,444	-
Present value of minimum lease commitment	12,559	12,559	31,809	31,809

The leases for cars have a remaining average term of 1.7 years (2010/2011: 2.2 years). Leased assets are pledged as security for the related finance lease.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Contingent assets

In connection with the representation of VGAN⁸ with effect from 1 March 1999 and termination of the joint operating agreement with EYB, an amount is conditionally payable by HVG which will be recognized as income when received.

Income of € 1.0 million has been taken to the 2011/2012 statement of income within this context (see Note 6.2), consisting of € 1.4 million for the financial year 2011/2012 and € 0.4 million negative for the financial year 2010/2011 (2010/2011: € 2.8 million).

Proceedings and claims

Disciplinary and civil law proceedings and claims have been brought against EYNL for alleged professional negligence claims. EYNL puts up forceful defence against such proceedings and claims involving sometimes substantial amounts. In many cases it is exceedingly difficult to estimate the risk to EYNL due to many uncertainties regarding facts, legal position of EYNL and other parties involved and other legal issues. Insurance cover is carried in respect of professional indemnity. Cover is principally written through captive insurance companies and a proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action can take longer to resolve. Where appropriate, provision is made for costs arising from such claims representing the estimated costs of defence and settlements below the uninsured policy excess. Separate disclosure is not made of any individual claim or expected insurance coverage because that disclosure might seriously prejudice the position of EYNL.

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognized but are disclosed unless the possibility of settlement is considered remote.

Guarantees

A guarantee (in the form of a standby Letter of Credit obtained from a bank) of US\$ 25.5 million was issued in favour of a bank syndicate providing a credit facility to EYGS. This Letter of Credit expired on 11 November 2011.

Deferred balance – member firms

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

8) VGAN is the legal predecessor of Holland Van Gijzen Advocaten en Notarissen LLP.

Notes to the consolidated financial statements Ernst & Young Nederland LLP

Funding of settlement of drawing rights

Contributions in total of € 217.9 million were obtained from EYGS on behalf of EY Europe to fund the settlement of drawing rights:

- EYGS on behalf of EY Europe has committed a total of € 98.9 million in loans to finance the settlement of drawing rights in 2008/2009. On 27 June 2012, this loan was transferred to EYGF. € 59.4 million of the loans will be repaid over 5 years with the final instalment being paid in 2015. Repayment for € 39.5 million will be determined based on the future cash flow.
- One contribution of € 74.1 million only has to be repaid in the following circumstances:
 - Bankruptcy or suspension of payments, failure to meet the loan terms and conditions, or appointment of a receiver or administrator.
 - End of participation in EY Global.
- The difference (€ 44.9 million) between the amounts received and the fair value at the time of receipt in 2008/2009 is recognized as a contribution to the withdrawals paid (net amount recognized in Equity, see Note 23).

28 Events after the reporting period

After the reporting date the following occurrences arose:

On 6 July 2012 Ernst & Young Participaties B.V. acquired 100% of the shares of Ernst & Young Real Estate Advisory Services B.V. REAS is a firm active in the advisory of real estate.

At the moment the initial business combination accounting is not yet completed, therefore no information can be given.

On 10 July 2012 Ernst & Young Participaties B.V. signed an agreement to acquire 100% of the shares of Beco Groep B.V. The closing of the transaction is anticipated at the end of September 2012.

Ernst & Young Nederland LLP

Separate financial statements for the year ended 30 June 2012

Ernst & Young Nederland LLP statement of comprehensive income

(for the year ended 30 June 2012)

	notes	2011/2012	2010/2011
		€000	€000
Revenue			
Rendering of services ⁹	33	61	319
Other income	33	160,868	143,894
		160,929	144,213
Operating expenses			
Rendering of services provided by foreign Ernst & Young member firms		2,563	1,647
Employee benefits expenses ⁹	34.1	59,898	38,720
Depreciation of property, plant and equipment	37	14,894	17,016
Amortisation of intangible assets	38	28	140
Other operating expenses ⁹	34.2	75,448	77,669
		152,831	135,192
Operating profit		8,098	9,021
Finance income	35.1	1,024	996
Finance expenses	35.2	-5,348	-13,155
Share of profit from subsidiaries	39	105,224	126,023
Profit before tax		108,998	122,885
Income tax expenses	36	-	-
Profit for the financial year		108,998	122,885
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year, net of tax		108,998	122,855
Profit attributable to members of EYNL		108,998	122,885
Total comprehensive income for the year attributable to members of EYNL		108,998	122,885

9) For reclassifications in 2010/2011 see Note 30.1 Basis of preparation.

Ernst & Young Nederland LLP statement of financial position

(as at 30 June 2012)

	Notes	30 June 2012	30 June 2011
Assets		€000	€000
<i>Non-current assets</i>			
Property, plant and equipment	37	45,887	72,931
Intangible assets	38	38	66
Investment in subsidiaries	39	1	1
Other non-current financial assets	40	760	760
		46,686	73,758
Current assets			
Other receivables	41	97,926	135,540
Prepayments	42	87,798	91,436
Other current financial assets	40	-	33
Cash and short-term deposits	43	61,223	58,102
		246,947	285,111
Total assets		293,633	358,869
Equity and liabilities			
<i>Current liabilities</i>			
Trade and other payables	44	86,692	111,153
Interest-bearing loans and borrowings	45	39,801	65,754
Provisions	46	3,683	4,713
Employee benefits	47	13,807	6,395
Income tax payable		-	-
		143,983	188,015
<i>Non-current liabilities</i>			
Interest-bearing loans and borrowings	45	106,004	108,066
Advances received		-	8,308
Provisions	46	15,960	18,597
Employee benefits	47	2,605	2,459
		124,569	137,430
Total liabilities		268,552	325,445
<i>Equity</i>			
Members' capital	48	75,543	75,036
Reserves	49	-50,462	-41,612
Total equity		25,081	33,424
Total equity and liabilities		293,633	358,869

These financial statements were approved by Ernst & Young Europe LLP on 28 September 2012 and signed by P.J.A.M. Jongstra on behalf of Drs. P.J.A.M. Jongstra Registeraccountant B.V.

Ernst & Young Nederland LLP statement of changes in equity

	Members' capital	Profit available for distribution	Other reserves	Retained earnings	Total retained earnings	Total Equity
	€000	€000	€000	€000	€000	€000
At 1 July 2010	-	124,432	-1,751	-168,159	-45,478	-45,478
Profit for the financial year	-	112,366	-	10,519	122,885	122,885
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	112,366	-	10,519	122,885	122,885
Profit distribution 2009/10	-	-124,432	-	-	-124,432	-124,432
Change in conditions of members' capital	75,036	-	-	-	-	75,036
Interest on members' capital	-	5,482	-	-	5,482	5,482
Change in estimates of obligations to current members	-	-	-	-69	-69	-69
At 30 June 2011	75,036	117,848	-1,751	-157,709	-41,612	33,424
Profit for the financial year	-	98,479	-	10,519	108,998	108,998
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	98,479	-	10,519	108,998	108,998
Profit distribution 2010/2011	-	-112,366	-	-	-112,366	-112,366
Distribution of interest on members' capital	-	-5,482	-	-	-5,482	-5,482
Contributions of capital from members	4,760	-	-	-	-	4,760
Repayment on retirement through equity	-4,253	-	-	-	-	-4,253
At 30 June 2012	75,543	98,479	-1,751	-147,190	-50,462	25,081

Negative retained earnings are a result of settlement of drawing rights under IFRS with current and retired members. These negative retained earnings do not have any impact on the going concern principle under which these statements have been prepared. The future cash flow will be positively influenced as a result of the settlement of the drawing rights. For these reasons EYNL will be able to continue distribution of its profits.

Ernst & Young Nederland LLP statement of cash flows

(for the year ended 30 June 2012)

	Notes	2011/2012	2010/2011
		€000	€000
Operating activities			
Profit for the financial year		108,998	122,885
Share of profit from subsidiaries	39	-105,224	-126,023
		3,774	-3,138
Adjustment for:			
Depreciation of property, plant and equipment	37	14,894	17,016
Amortization of intangible assets	38	28	140
Finance income and expenses	35	4,324	12,159
Increase in employee benefits provision	47	7,500	2,155
Decrease in provisions	46	-4,563	-10,626
		25,957	17,706
Working capital adjustments:			
Decrease/(increase) in trade and other receivables and prepayments		15,306	-40,862
(Decrease)/increase in trade and other payables		-13,003	30,097
Net cash flow from operating activities		28,260	6,941
Investing activities			
Purchase of property, plant and equipment		-1,934	-1,979
Disposals of property, plant and equipment		223	22
Disposals of other non-current financial assets	40	33	191
Interest received		1,024	996
Net cash flow used in investing activities		-654	-770

Ernst & Young Nederland LLP statement of cash flows

(for the year ended 30 June 2012)

	Notes	2011/2012	2010/2011
		€000	€000
Financing activities			
Payment from (to) members (current account)		114,565	164,519
Payment of profit distribution 2010/2011 (2009/2010)		-57,673	-62,814
Prepayment to current members		-55,028	-60,175
Contributions of capital from members	48	4,760	4,392
Repayment on retirement of capital contributions	48	-4,253	-3,363
Repayment of financing related to drawing rights		-7,420	-7,420
Payment of finance lease liabilities		-5,387	-7,521
Proceeds from interest-bearing loans and borrowings	45	16,880	-
Repayment of interest-bearing loans and borrowings	45	-29,124	-24,845
Interest paid		-1,805	-9,278
Net cash flows used in financing activities		-24,485	-6,505
Net cash flow		3,121	-334
Net cash and cash equivalents 1 July	43	58,102	58,436
Net cash flow		3,121	-334
Net cash and cash equivalents 30 June	43	61,223	58,102

Notes to the separate financial statements

29 Financial year

A financial year consists of 52 or 53 weeks and therefore the year-end date differs from year to year. Therefore everywhere 30 June 2012 is mentioned read 29 June 2012 and 1 July 2011 instead of 30 June 2011.

30 Accounting policies

30.1 BASIS OF PREPARATION

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The separate financial statements have been prepared on the historical cost basis. EYNL's objective is to safeguard its status as a going concern; therefore the separate financial statements are prepared on a going concern basis.

The functional currency of EYNL is the Euro. The financial statements are presented in Euros and all amounts are rounded to the nearest thousand (€000) except when indicated otherwise.

For comparative purposes the following restatements were made in the figures of 2010/2011.

In 2010/2011 all mobility expenses and other staff expense were part of Other operating expenses. As of 2011/2012, mobility expenses and other staff expenses qualifying as Employee benefits expenses (IAS19) are stated as Employee benefits expenses. For comparative purposes mobility expenses (€ 2.0 million) and Other staff expenses (€ 1.5 million) have been reclassified from Other operating expenses to Employee benefits expenses.

Credits received for seconded partners have been reclassified from Other operating expenses to Revenue (€ 0.01 million).

Entities under common control comprise entities controlled by EYNL's parent undertaking, EY Europe LLP, and therefore represent a related party relationship. As of 2011/2012 it is considered that EY Europe LLP is able to exert significant influence over EYGS LLP meaning that it, and its subsidiaries, are related parties of EYNL. For comparative purposes € 7.5 million has been reclassified from Payables to Related parties payables and € 7.8 million has been reclassified from Receivables to Related parties receivables.

These reclassifications do not have any impact on the profit or the net assets for either of the periods nor the statement of financial position at the beginning of the comparative period. Therefore it is considered appropriate not to present a statement of financial position at the beginning of the comparative period.

30.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

Please see Note 2.3. of the consolidated financial statements.

30.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Please see the summary in Note 2.4 of the consolidated financial statements for information on significant accounting policies.

Subsidiaries are measured at cost less impairment. EYNL exercises control over EYA and EYB except for specific professional matters. EYA and EYB have no capital and, under contractual arrangements, distribute their entire result for the financial year to EYNL and so the cost and/or equity value of both EYA and EYB is nil.

31 Standards issued but not yet effective

Please see Note 3 of the consolidated financial statements.

32 Significant accounting judgements, estimates and assumptions

Please see Note 4 of the consolidated financial statements.

Notes to the separate financial statements

33 Revenue

EYNL does not report segment information.

Other income

Other income relates to expenses charged from EYNL to EYA, EYB, other subsidiaries and HVG. These charged expenses consist of employee expenses, premises, office expenses, IT expenses, EY International charges, finance expenses and income and other expenses.

34 Operating expenses

34.1 EMPLOYEE BENEFITS EXPENSES

The breakdown is as follows:

	2011/2012	2010/2011
	€000	€000
Salaries and bonuses	36,632	29,232
Social security costs	6,725	5,316
Pension contributions	4,273	3,637
Mobility expenses ¹⁰	3,129	2,015
Other staff expenses ¹⁰	9,139	-1,480
	59,898	38,720

Salaries and bonuses include vacation allowance.

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

	2011/2012	2010/2011
	FTE	FTE
Client serving staff	2	1
Support staff	734	570
	736	571

10) For reclassifications in 2010/2011
see Note 30.1 Basis of preparation.

Notes to the separate financial statements

34.2 OTHER OPERATING EXPENSES

	2011/2012	2010/2011
	€000	€000
Premises	32,736	33,185
Office expenses	13,526	13,187
IT expenses	17,742	15,209
Other staff expenses ¹⁰	3,509	4,065
International EY charges	-496	550
Fees charged to subsidiaries	-906	-1,290
Other expenses ¹⁰	9,337	12,763
	75,448	77,669

IT expenses includes lease payments recognized as operating lease expense
2011/2012: € 1.2 million (2010/2011: € 1.3 million).

Auditors' remuneration of € 203,000 (2010/2011: € 169,000) is included
in Other expenses. Of this amount, € 144,000 (2010/2011: € 169,000)
was charged in respect of the partnership and the consolidated financial
statements, € 59,000 (2010/2011: € nil) for miscellaneous audit services.

10) For reclassifications in 2010/2011
see note 30.1 Basis of preparation.

Notes to the separate financial statements

35 Finance income and expenses

35.1 FINANCE INCOME

	2011/2012	2010/2011
	€000	€000
Interest on bank balances and deposits	761	631
Other interest and similar income	263	365
	1,024	996

35.2 FINANCE EXPENSES

	notes	2011/2012	2010/2011
		€000	€000
Interest on members' capital		-	5,482
Interest on loans granted by current and retired members		2,149	2,249
Interest on current and retired members current account balances		2,339	1,930
Total interest to current and retired members		4,488	9,661
Finance charges payable under finance leases		1,222	2,009
Interest on bank loans and borrowings (including amortized cost of loans and borrowings)		2,453	4,025
Unwinding of discount on provisions and loans	45,46,47	3,542	3,772
Interest on (un)billed receivables		-6,491	-6,508
Other interest and similar expense		134	196
		5,348	13,155

The Interest on members' capital for the 2010/2011 financial year relate to the interest allowance for the period until 30 June 2011. Following the amendments to the contractual terms as per 30 June 2011, from this date the (interest) allowance granted to members is no longer part of the financial expenses but part of the total result (available for distribution among members). Reference is made to Note 1.6.

Notes to the separate financial statements

36 Income tax expenses

Tax on the result for the financial year is borne by the members. As this also applies to differences in measurement for tax purposes and financial reporting purposes, EYNL has no deferred tax assets or liabilities.

There are no direct equity movements on which current or deferred tax is computed.

There are no recognized or unrecognized losses available for relief.

37 Property, plant and equipment

The movements were as follows:

	Capital expenditure in rented properties	Cars	Fixtures and fittings, computers	Total
	€000	€000	€000	€000
At 1 July 2010	33,877	30,615	14,783	79,275
Additions	1,330	13,682	649	15,661
Disposals	-12	-4,967	-10	-4,989
Depreciation	-5,229	-7,521	-4,266	-17,016
At 30 June 2011	29,966	31,809	11,156	72,931
Additions	1,450	9,069	484	11,003
Disposals	-8	-22,930	-215	-23,153
Depreciation	-5,634	-5,387	-3,873	-14,894
At 30 June 2012	25,774	12,561	7,552	45,887
Cost	64,961	50,023	47,923	162,907
Accumulated depreciation	-34,995	-18,214	-36,767	-89,976
At 30 June 2011	29,966	31,809	11,156	72,931
Cost	61,942	22,009	41,495	125,446
Accumulated depreciation	-36,168	-9,448	-33,943	-79,559
At 30 June 2012	25,774	12,561	7,552	45,887

Notes to the separate financial statements

Contractual obligations for purchasing property, plant and equipment were negligible at 30 June 2012 and 30 June 2011.

Until 31 December 2011, EYNL ran all significant risks and enjoyed all significant rewards inherent in the ownership of the cars and so they are classified as a finance lease. EYNL is the beneficial owner but not the legal owner of the cars.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease. The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

All other property, plant and equipment is at the free disposal of EYNL (i.e. it has not been granted as security).

Notes to the separate financial statements

38 Intangible assets

	Software
	€000
At 1 July 2010	206
Additions	-
Amortization	-140
At 30 June 2011	66
Additions	-
Amortization	-28
At 30 June 2012	38
Cost	722
Accumulated amortization	-656
At 30 June 2011	66
Cost	722
Accumulated amortization	-684
At 30 June 2012	38

Notes to the separate financial statements

39 Investments in subsidiaries

Name	Country of incorporation	% Equity interest 30 June 2012	% Equity interest 30 June 2011
Ernst & Young Accountants LLP	United Kingdom	100%	100%
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	33.33%	33.33%

EYNL also owns the remaining 66.67% of Ernst & Young Participaties Coöperatief U.A. through indirect share holdings.

The share of profit from investments is as follows:

	30 June 2012	30 June 2011
	€000	€000
Ernst & Young Accountants LLP	62,572	75,657
Ernst & Young Belastingadviseurs LLP	42,652	50,366
	105,224	126,023

40 Other current and non-current financial assets

	Effective interest rate	Maturity (financial year)	30 June 2012	30 June 2011
	%		€000	€000
Non-current				
Loans granted to subsidiaries	5.0%	2015	760	760
			760	760
Current				
Loans granted to employees	n/a		-	33
			-	33

Notes to the separate financial statements

Loans granted to subsidiaries

The loans granted to subsidiaries are as follows:

Subsidiary	Nominal amount	Interest rate	Maturity (financial year)	30 June 2012	30 June 2011
	€000	%		€000	€000
Ernst & Young Actuarissen B.V.	760	5%	2015	760	760
				760	760

41 Other receivables¹¹

	30 June 2012	30 June 2011
	€000	€000
Receivables from related parties	92,212	124,152
Tax receivables	3,359	3,241
Other receivables	2,355	8,147
	97,926	135,540

41.1 RECEIVABLES FROM RELATED PARTIES

The ageing of related party receivables at 30 June was as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
	€000	€000	<30 days	30-90 days	90-180 days	180-365 days	>365 days
	€000	€000	€000	€000	€000	€000	€000
30 June 2012	92,212	91,570	546	108	2	-20	6
30 June 2011	124,152	121,373	1,145	461	1,064	77	32

11) For reclassifications in 2010/2011 see note 30.1 Basis of preparation.

Notes to the separate financial statements

41.2 OTHER RECEIVABLES

Other receivables are shown net of impairment. The total amount of impairment as at 30 June 2012 is € 0.1 million (30 June 2011: € 0.1 million).

The movement in the provision for impairment was as follows:

	Totaal
	€000
At 1 July 2010	-1,278
Charge for the year	-116
Release of unused amounts	91
Written off	1,176
At 30 June 2011	-127
Charge for the year	-162
Release of unused amounts	53
Written off	144
At 30 June 2012	-92

The ageing of other receivables at 30 June was as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
	€000	€000	<30 days	30-90 days	90-180 days	180-365 days	>365 days
	€000	€000	€000	€000	€000	€000	€000
30 June 2012	2,355	2,027	7	7	12	276	26
30 June 2011	8,147	6,572	-	259	881	248	187

Notes to the separate financial statements

42 Prepayments

	30 June 2012	30 June 2011
	€000	€000
Profit-share advances paid to current members	55,028	60,175
Prepaid pension contributions	2,250	2,012
Other prepayments	30,520	29,249
	87,798	91,436

43 Cash and short-term deposits

	30 June 2012	30 June 2011
	€000	€000
Cash at banks and in hand	61,223	37,615
Short-term deposits	-	20,487
	61,223	58,102

Cash at banks earns interest at floating rates based on daily bank deposit rates (varying between 0.08% and 0.38% at 30 June 2012 and between 0.71% and 0.98% at 30 June 2011).

Short-term deposit relates to Letter of Credit facilities of US\$ 25.5 million. Reference is made to Note 52.

Notes to the separate financial statements

44 Trade and other payables¹²

	30 June 2012	30 June 2011
	€000	€000
Amounts due to current and retired members	49,253	60,711
Trade payables	10,991	15,592
Taxes and social security	1,522	1,159
Related party payables	8,407	12,827
Other payables	16,519	20,864
	86,692	111,153

Trade payables are normally settled on 30-day terms.

Amounts due to current and retired members are current account balances.

Amounts drawn by current members as advances on the profit share are presented as Prepayments.

12) For reclassifications in 2010/2011
see note 30.1 Basis of preparation.

Notes to the separate financial statements

45 Interest-bearing loans and borrowings

	notes	Effective interest rate %	Maturity (financial year)	30 June 2012 €000	30 June 2011 €000
Current					
Loans granted by current and retired members		5.0%	2013	11,130	-
Bank loan to finance settlement of drawing rights		4.5%	2013	10,000	48,750
Private loan to finance settlement of drawing rights		5.0%	2013	14,133	7,420
Car lease obligations	52	3.0%	2013	4,538	9,584
				39,801	65,754
Non-current					
Loan granted by current and retired members		4.9%	2014-2019	37,680	32,745
Bank loan to finance settlement of drawing rights		4.5%	2016	27,500	8,750
Private loan to finance settlement of drawing rights		5.0%	Up to 2049	32,802	44,347
Car lease obligations	52	3.0%	2016	8,022	22,224
				106,004	108,066

Loans granted by current and retired members

These loans are held by Stichting Confidentia 2004 on behalf of the current and retired members. This foundation holds pledges on the unbilled receivables and receivables from clients. In the event of the death of a current or former member, his/her professional corporation can demand early repayment of the amount of the loan outstanding at that time.

The loans are not subordinated.

Notes to the separate financial statements

The loans are repayable according to the following schedule:

	Rate	In €000
On 31 December 2012	5.00%	11,130
On 30 June 2013	4.00%	3,280
On 31 March 2014	4.25%	10,765
On 31 May 2015	5.25%	10,035
On 30 June 2016	5.00%	8,000
On 1 February 2017	Variable	2,675
On 1 February 2019	6.25%	2,925

Bank loan to finance settlement of drawing rights

This loan was obtained from Van Lanschot to finance the partial settlement of drawing rights of retired members in 2006/2007. The original term of the loan was ten years. The loan is being repaid in quarterly instalments of €2.5 million and runs to 31 March 2017. The interest on the loan is 4.5% per year. In June 2012 an extra repayment of € 10 million was made. It is possible to repay an additional 10% of the original sum each year without penalty.

Private loan to finance settlement of drawing rights

EYGS on behalf of EY Europe has committed a total of € 98.9 million in loans to finance the settlement of drawing rights in 2008/2009 and € 49.5 million of this amount was received on 1 July 2009. The remaining € 49.4 million was received on 31 December 2009.

On 27 June 2012, these loans were transferred to EYGF.

The loans are interest-free and are measured on receipt at the fair value of the future consideration using a discount rate of 5%. For the financial year 2011/2012 the interest charge due to application of the amortized cost method amounts to € 2.6 million (2010/2011 € 3.0 million).

An amount of € 7.4 million was repaid in June 2012. (June 2011: € 7.4 million) € 44.5 million of the loans will be repaid over 3 years with the final instalment being paid in 2015; € 29.7 million is repayable in the 2 to 5 year interval and € 14.8 million within one year.

The amortized cost of the loan with a face value of € 39.5 million will be assessed annually from current information on future cash flows (and, if necessary, revising the amortized cost).

The difference (€ 44.9 million) between the amounts received and the fair value at the time of receipt is recognized as a contribution to the withdrawals paid (net amount recognized in Equity, see Note 49).

Lease obligations for cars

Until 31 December 2011, EYNL ran all significant risks and enjoyed all significant rewards inherent in the ownership of the cars and so they were recognized as being a finance lease.

As of 1 January 2012 EYNL has entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease.

The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

Notes to the separate financial statements

46 Provisions

	Premises	Drawing rights of current members	Total
	€000	€000	€000
At 1 July 2010	4,199	28,839	33,038
Additions	742	69	811
Expenditure charged to provisions	-159	-9,381	-9,540
Amounts released	-1,350	-478	-1,828
Unwinding of discount	116	713	829
At 30 June 2011	3,548	19,762	23,310
Additions	336	-	336
Expenditure charged to provisions	-763	-3,662	-4,425
Amounts released	-470	-4	-474
Unwinding of discount	91	805	896
At 30 June 2012	2,742	16,901	19,643
At 30 June 2011:			
with a term < 1 year	1,052	3,661	4,713
with a term > 1 year	2,496	16,101	18,597
	3,548	19,762	23,310
At 30 June 2012:			
with a term < 1 year	428	3,255	3,683
with a term > 1 year	2,314	13,646	15,960
	2,742	16,901	19,643

Notes to the separate financial statements

Premises

A provision has been formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but which are unoccupied. This provision also relates to the expected cost of returning rented offices to their original condition when they are vacated. The provisions for vacant office buildings and dilapidation costs are calculated at present value using a discount rate of 4.0% (30 June 2011: 4.0%).

Drawing rights of current members

During 2008/2009, the drawing rights of current members were set at fixed amounts and became an obligation of EYNL, payable upon their retirement date.

The provision is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a current pre-tax rate of 5.0% (30 June 2011: 5.0%).

47 Employee benefits

	30 June 2012	30 June 2011
	€000	€000
Current		
Payments to staff*	4,707	5,428
Provision for long-services awards	90	82
Salary payments during absence	9,010	885
	13,807	6,395
Non-current		
Defined benefit pension plan	1,969	1,966
Provision for long-services awards	438	418
Salary payments during absence	198	75
	2,605	2,459

*) Payments to staff relates to amounts to be paid for holidays, overtime and bonuses.

Notes to the separate financial statements

47.1 DEFINED CONTRIBUTION PLAN

EYNL has a defined contribution pension plan which is administered by a pension fund (Stichting Pensioenfonds Ernst & Young); the pension fund has reinsured its obligations and actuarial risks through an insurance company. EYNL is only required to pay the agreed contributions, a premium fixed for a period of 3 years, to the pension fund. After payment of this premium EYNL does not have any further obligation to the fund or its employees in this respect. EYNL cannot be held liable for any losses suffered by the pension fund, even if the pension fund is discontinued. The premium paid does not contain any elements relating to past services. EYNL is not entitled to any refund. The contributions due to the pension fund are taken to the statement of income. Contributions payable and prepaid contributions are included under current liabilities and current assets respectively.

The total amount of the defined contribution plan charged through profit and loss during the financial year was € 4.3 million (2010/2011: € 3.6 million).

47.2 INDEXATION OBLIGATION

There is an obligation to index the paid-up entitlements of a limited, specific and closed group of former employees. This obligation is classified as a defined benefit plan. The plan is unfunded. Measurement is based on the projected unit credit method using a discount rate derived from the interest rate on high quality corporate bonds. Actuarial gains and losses are recognized immediately through profit or loss.

The plan covers former staff who were previously employed by the legal predecessors of EYNL, EYA and EYB. These obligations have been recognized in full in the separate financial statements of EYNL.

Notes to the separate financial statements

The tables below summarise the components of the funded status and amounts recognized in the statement of financial position for the plan:

Defined Benefit Obligation	2011/2012	2010/2011
	€000	€000
At 1 July	1,966	1,767
Interest cost	92	88
Current service cost	-	-
Benefits paid	-	-
Actuarial losses/(gains) on obligation	-89	111
At 30 June	1,969	1,966

	30 June 2012	30 June 2011
With a term < 1 year	-	-
With a term > 1 year	1,969	1,966
	1,969	1,966

The total amount of defined benefit obligation charged through profit and loss during the financial year was nil (2010/2011: € 0.2 million).

The principal assumptions used are:

	30 June 2012	30 June 2011
	%	%
Discount rate	4.2	4.7
General salary increase	0.0	0.0
Inflation	0.3	0.3
Mortality rates	Dutch AG Prognosetafels 2010-2060	Dutch AG Prognosetafels 2010-2060

Notes to the separate financial statements

47.3 PROVISION FOR LONG-SERVICE AWARDS

The provision for long-service awards relates to costs attributable to future long-service payments relating to past years of employment, taking into account the probability of staff leaving and death.

The movements in the provision were as follows:

	2011/2012	2010/2011
	€000	€000
At 1 July	500	306
Additions	125	273
Expenditure charged to provisions	-117	-91
Released	-	-
Unwinding of discount	20	12
At 30 June	528	500

	30 June 2012	30 June 2011
With a term < 1 year	90	82
With a term > 1 year	438	418
	528	500

The principal assumptions used are:

	30 June 2012	30 June 2011
	%	%
Discount rate	4.0	4.0
Factor for outflow, decease and disability	20.4	20.1
Future salary increase	3.5	2.9

Notes to the separate financial statements

47.4 SALARY PAYMENTS DURING ABSENCE

This provision relates to salary to be paid in the event of termination of contracts of employment and supplementary disability benefits under the Work and Income Act (WIA).

The movements in the provision were as follows:

	2011/2012	2010/2011
	€000	€000
At 1 July	960	940
Additions	9,463	3,662
Expenditure charged to provisions	-767	-1,199
Released	-486	-2,473
Unwinding of discount	38	30
At 30 June	9,208	960
	30 June 2012	30 June 2011
With a term < 1 year	9,010	885
With a term > 1 year	198	75
	9,208	960

Notes to the separate financial statements

The principal assumptions used for the provision for supplementary disability benefits under WIA are:

	30 June 2012	30 June 2011
	%	%
Discount rate	4.0	4.0
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	Dutch Prognosetafels 2010-2060	Dutch Prognosetafels 2010-2060

48 Members' capital

In the period before 30 June 2011 members had unconditional rights to annual interest allowances and to repayment when membership ceased, resulting in classification as a financial liability. Due to amended contractual terms as at 30 June 2011 classification changed into Equity instruments. Reference is made to Note 1.6.

	30 June 2012	30 June 2011
	€000	€000
Contractual capital contribution by members	75,543	75,036

The movements were as follows:

	2011/2012	2010/2011
	€000	€000
At 1 July	75,036	74,007
Contributions	4,760	4,392
Repayment on retirement	-4,253	-3,363
At 30 June	75,543	75,036

Notes to the separate financial statements

The number of members and the capital contribution for each LLP and/or partnership is as follows:

	30 June 2012		30 June 2011	
	Number of members	Capital contribution (in € million)	Number of members	Capital contribution (in € million)
EYA	140	50.0	140	48.5
EYB	74	25.5	74	26.5
EYNL	214	75.5	214	75.0
Members retired in financial year	13		17	
Number of profit-sharing partners	227		231	

Each member is required to make a capital contribution according to a capital-contribution method that is the same for all members.

49 Reserves

49.1 RESULT FOR THE FINANCIAL YEAR

Since 2008/2009, the consolidated result for the financial year and any distribution thereof has been made following the approval of EY Europe.

49.2 RETAINED EARNINGS

This reserve relates to the settlement of drawing rights in the financial years 2006/2007 and 2008/2009 to former members and partners, which will be settled in annual instalments in the period to 2026 (14.5 years) with the then profit-sharing members. It also includes the present value of the arrangements made in 2008/2009 for drawing rights of members eligible in that year. The amount of contributions and other amounts for this received from EYGS on behalf of EY Europe is deducted from the reserve.

Notes to the separate financial statements

49.3 OTHER RESERVE

This refers to the obligation to index the paid-up entitlements of a limited, specific and closed group of former employees.

49.4 MOVEMENTS

Please see the Statement of changes in equity.

50 Financial instruments

50.1 FINANCIAL RISK MANAGEMENT AND OBJECTIVES

EYNL's financial instruments arise from normal commercial activities and include amounts owed to and receivable from current and retired members. EYNL does not use financial instruments for speculative activity and complex financial instruments are avoided.

Financial instruments give rise to credit, liquidity, interest rate and foreign currency risks. Information about how these risks arise and are managed is set out below.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises primarily from financial assets including deposits with banks and financial institutions and amounts due from members. EYNL's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2012 and 30 June 2011 is the carrying amounts presented in Notes 41 and 43. Due to the nature of the receivables presented in Notes 40 and 42 (members, employees and member firms) no or very limited risk applies.

EYNL maintains procedures to minimise the risk of default by debtors. Credit risk is not covered by credit insurance or other credit instruments.

Amounts due from members are expected to be recovered from the current year's profit distribution.

Cash deposits are placed only with creditworthy banks. Deposits of surplus funds are made only with approved counterparties and within limits assigned to each counterparty. The limits are set to adhere to independence rules, to minimise the concentration of risks and, therefore, to mitigate financial loss from a potential counterparty failure.

Liquidity risk

Liquidity risk is the risk that EYNL is unable to meet its financial obligations on the due date. Liquidity risk arises from EYNL's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables, as well as interest-bearing loans and borrowings and members' capital. The policy is to maintain a positive amount of working capital. Depending on the time of year, there can be a considerable balance of cash and cash equivalents.

Notes to the separate financial statements

The maturity profile of the contractual payments, including interest, arising from EYNL's financial liabilities at year end, is as follows (the amounts disclosed are the gross undiscounted cash flows):

Year ended 30 June 2012	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings:					
- Contractual payments	41,083	42,298	57,564	42,925	183,870
- Interest payments	3,890	3,154	3,506	289	10,839
Trade and other payables	86,692	-	-	-	86,692
	131,665	45,452	61,070	43,214	281,401
Year ended 30 June 2011	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000
Interest-bearing loans and borrowings:					
- Contractual payments	66,619	43,229	64,706	40,000	214,554
- Interest payments	5,594	2,739	2,359	-	10,692
Members' capital:					
- Contractual payments	-	-	-	-	-
- Interest payments	5,842	-	-	-	5,842
Trade and other payables	111,153	-	-	-	111,153
	189,208	45,968	67,065	40,000	342,241

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. Capital expenditure on cars is funded by finance leases. The other main source of financing capital expenditure is funding supplied by current and retired members.

Notes to the separate financial statements

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises primarily from members' capital, interest-bearing loans and borrowings and cash and cash equivalents.

An inherent feature of a structure in which current and retired members provide a significant part of the funding for activities is that the variability is not hedged by derivatives.

A fixed rate of interest is paid on long-term loans granted by current and retired members equal to the effective yield on government bonds with a remaining maturity of five years, plus a premium of one to two percentage points. On one loan granted by current and retired members a variable interest is paid. The interest on current account liabilities to current and retired members is assessed quarterly.

Funds drawn for settlement of drawing rights are interest-free or bear a fixed interest rate. Interest on finance leases is fixed for the term of the lease.

Surplus liquid funds are deposited at current market rates with a limited risk of fluctuations and a maturity of no more than three months.

Interest rate risks are not hedged in any way by derivatives.

Notes to the separate financial statements

The following table shows the sensitivity to a reasonably possible change in interest rates. With all other variables held constant, the profit of EYNL before tax is affected through the impact on floating rate borrowings as follows.

	Increase/ decrease	Effect on profit before tax
	in base points	€000
2011/2012		
Euro	+15	93
Euro	-15	-93
2010/2011		
Euro	+15	96
Euro	-15	-96

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Although the majority of the income and expenses of EYNL are denominated in euros, foreign currency risk arises from transactions denominated in other currencies, particularly the US dollar and pound sterling. Balances in foreign currency bank accounts are held to facilitate cash management and to provide a hedge of future foreign currency expenditure.

If the US dollar exchange rate were to change by 10%, the impact of such a change on profit or loss would be € 2.6 million (2010/2011: € 2.2 million) as a result of changes in the carrying amount of US dollar-denominated cash and amounts receivable/payable. If the sterling exchange rate were to change by 10%, the impact of such a change on profit or loss would be € 0.09 million (2010/2011: € 0.08 million) as a result of changes in the carrying amount of sterling-denominated cash and amounts receivable/payable.

Notes to the separate financial statements

50.2 OTHER NOTES

Reconciliation of classes and categories

All presented groups of financial assets, other than Other non-current financial assets, are part of the loans and receivables category measured at amortized cost. The financial assets in Other non-current financial assets are in the available-for-sale category and are measured at fair value, if it can be measured reliably, or otherwise at cost.

All presented groups of financial liabilities are part of the loans and borrowings category, measured at amortized cost.

Fair values

Based on the following assumptions, the fair value of EYNL's financial instruments approximate their carrying amount.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate receivables are evaluated by EYNL using parameters such as interest rates, individual creditworthiness of the borrower and the risk characteristics of the financed project. Based on this evaluation, no impairment has been deemed necessary to recognize expected losses on these receivables. At 30 June 2012 and 30 June 2011, the carrying amounts of these receivables approximated their fair value.
- The fair value of the available-for-sale investments cannot be established reliably and so these investments are measured at cost.
- The fair value of fixed-rate borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities.

Fair value hierarchy

As at 30 June 2012 and 30 June 2011, EYNL did not hold financial instruments measured at fair value.

Notes to the separate financial statements

51 Related party disclosures

Ultimate parent

EYNL's immediate and ultimate parent is EY Europe, a partnership with limited liability under English Law. The results of the firm will be included in the group financial statements of EY Europe, copies of which will be available from its registered office, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Other related parties

The financial statements include the financial information of EYNL and the subsidiaries listed in the following table.

Direct subsidiaries

Name	Country of incorporation	% Equity interest	
		30 June 2012	30 June 2011
Ernst & Young Accountants LLP	United Kingdom	100%	100%
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%

Notes to the separate financial statements

Indirect through subsidiaries

Name	Country of incorporation	% Equity interest	
		30 June 2012	30 June 2011
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	100%	100%
Ernst & Young Participaties B.V.	The Netherlands	100%	100%
Ernst & Young VAT Rep B.V.	The Netherlands	100%	100%
Ernst & Young Actuarissen B.V.	The Netherlands	100%	100%
Partake Consulting B.V.	The Netherlands	100%	-
Partake Consulting Nederland B.V.	The Netherlands	100%	-
Ernst & Young CertifyPoint B.V.	The Netherlands	100%	100%
GS Participation Ltd	United Kingdom	100%	100%
Ernst & Young Transaction Advisory Services B.V.	The Netherlands	-	100%

EYB has a strategic alliance with HVG.

On 4 July 2011 Ernst & Young Participaties B.V. acquired 100% of the shares of Partake Consulting B.V. including the control of its wholly-owned subsidiaries Partake Consulting Nederland B.V., Partake Consulting Belgium b.v.b.a, Partake Consulting SAS and Partake Consulting UK Ltd.

On the same date EYNL transferred control of the Belgian, French and UK operations to the respective Ernst & Young member firms in these countries.

On 5 July 2011 the assets and liabilities of Partake Consulting B.V. and Partake Consulting Nederland B.V. were transferred to Ernst & Young Accountants LLP.

On 21 December 2011 Ernst & Young Transaction Advisory Services B.V. was liquidated.

Notes to the separate financial statements

The following table provides the total amount of transactions that have been entered into with related parties during the relevant financial year.

For information regarding outstanding balances at 30 June 2012 and 30 June 2011, refer to Notes 41 and 44.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties
		€000	€000	€000	€000
Entity with control and/or significant influence over EYNL: EY Europe	2011/2012	-	-	-	-
	2010/2011	-	-	-	-
Entities under common control	2011/2012	2,316	36	844	955
	2010/2011	7,644	141	6,730	215
Subsidiaries of EYNL	2011/2012	-	-	83,501	154
	2010/2011	-	-	109,079	5,156
HVG	2011/2012	8,479	335	919	-
	2010/2011	8,059	597	498	-

* Gross amounts

Terms and conditions of transactions with related parties

Services provided to and received from related parties are generally settled at prices applicable in normal market circumstances.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 30 June 2012 EYNL has not recorded any impairment of related parties receivables (30 June 2011: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which it operates.

Entities under common control comprise entities controlled by EYNL's parent undertaking, EY Europe LLP, and therefore represent a related party relationship.

EY Europe LLP is able to exert significant influence over EY Global Finance, Inc, meaning that it is a related party of the firm. At the period end, loans of € 98.9 million were provided by EY Global Finance, Inc. These loans are interest free (See note 27).

EY Europe LLP is also able to exert significant influence over EYGS LLP meaning that it, and its subsidiaries, are related parties of the firm. At the year end there were balances owing from and to EYGS LLP Group of € 6.9 million (2011: € 7.8 million) and € 7.3 million (2011: € 7.5 million) respectively. Sales to EYGS LLP Group during the year amounted to € 25.9 million (2011: € 18.6 million). Purchases from EYGS LLP Group during the year amounted to € 71.4 million (2011: € 50.3 million).

Notes to the separate financial statements

Compensation of key management personnel of EYNL

Key management are the Designated Members of EYNL. These members do not receive any remuneration other than their participation in the result available for distribution through their professional corporations, being a total of € 2,813,000 (2010/2011: € 3,232,000).

52 Commitments and contingencies

Operating lease commitments

EYNL has entered into long-term leases for office premises and operating leases for personal computers. These leases have an average life between 1 and 11 years and may have renewal options included in the contracts. Future minimum rentals payable are as follows:

	Year ended 30 June 2012				Year ended 30 June 2011		
	Personal computers, copiers	Cars	Office leases	Total	Personal computers, copiers	Office leases	Total
	€000	€000	€000	€000	€000	€000	€000
Within 1 year	2,642	5,570	28,734	36,946	2,118	26,984	29,102
Between 1 and 5 years	1,253	11,085	80,994	93,332	3,049	90,630	93,679
More than 5 years	-	-	20,573	20,573	-	30,918	30,918
	3,895	16,655	130,301	150,851	5,167	148,532	153,699

The lease commitments relate only to the actual commitments at year end, excluding any service or other charges. Future rent increases have been ignored except for those contracts which have been indexed (assumed to be 1.5%). Guarantees totalling some € 1.0 million (2010/2011: €1.0 million) have been issued for lease commitments.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease. The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

Notes to the separate financial statements

Finance lease commitments

Until 31 December 2011, EYNL entered into finance lease contracts to finance the fleet of cars, with an average term of five years at fixed leasing rates. EYNL will bear the financial consequences of any premature termination of these leases.

As of 1 January 2012 EYNL entered into a new contract with a single leasing company. Under this new contract the cars are recognized as operating lease. The leasing contracts with the other leasing companies remain unchanged and continue to be classified as finance lease.

Finance leasing charges for the financial year amount to € 14.7 million (2010/2011: € 28.5 million).

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum payments	2012 Present value of payments (Note 18)	Minimum payments	2011 Present value of payments (Note 18)
	€000	€000	€000	€000
Within 1 year	7,466	6,692	17,049	14,992
Between 1 and 5 years	10,579	9,715	31,352	28,623
After 5 years	-	-	-	-
Total minimum lease payments	18,045	16,407	48,401	43,615
Lease charges still to be incurred (incl. fuel)	-4,240	-3,848	-13,148	-11,806
Total minimum lease commitment	13,805	12,559	35,253	31,809
Less amounts representing finance charges	-1,246		-3,444	-
Present value of minimum lease commitment	12,559	12,559	31,809	31,809

The leases for cars have a remaining average term of 1.7 years (2010/2011: 2.2 years). Leased assets are pledged as security for the related finance lease.

Notes to the separate financial statements

Proceedings and claims

Disciplinary and civil law proceedings and claims have been brought against EYNL for alleged professional negligence claims. EYNL puts up forceful defence against such proceedings and claims involving sometimes substantial amounts. In many cases it is exceedingly difficult to estimate the risk to EYNL due to many uncertainties regarding facts, legal position of EYNL and other parties involved and other legal issues. Insurance cover is carried in respect of professional indemnity. Cover is principally written through captive insurance companies involving other EY-firms and a proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action can take longer. Where appropriate, provision is made for costs arising from such claims representing the estimated costs of defence and settlements below the uninsured policy excess. Separate disclosure is not made of any individual claim or expected insurance coverage on a particular claim because that disclosure might seriously prejudice the position of EYNL.

Contingent liabilities, including liabilities that are not probable or which cannot be measured reliably, are not recognized but are disclosed unless the possibility of settlement is considered remote.

Guarantees

A guarantee (in the form of a standby Letter of Credit obtained from a bank) of US\$ 25.5 million was issued in favour of a bank syndicate providing a credit facility to EYGS. This Letter of Credit expired on 11 November 2011.

Deferred balance - member firms

Ernst & Young member firms, including Ernst & Young LLP, have entered into an agreement under which certain expenses of, and investments in, the global network will be charged to the member firms. An annual charge is levied on each member firm existing at the time based on a percentage of the member firm's revenues for that period.

These charges are recognised as an expense in the period in which the revenues are earned. No liability is recognised in respect of potential future charges because no current obligation is considered to arise at the year end.

Funding of settlement of drawing rights

Contributions in total of € 217.9 million were obtained from EYGS on behalf of EY Europe to fund the settlement of drawing rights:

- EYGS on behalf of EY Europe has committed a total of € 98.9 million in loans to finance the settlement of drawing rights in 2008/2009. On 27 June 2012, this loan was transferred to EYGF. € 59.4 million of the loans will be repaid over 5 years with the final instalment being paid in 2015. Repayment for € 39.5 million will be determined based on the future cash flow.
- One contribution of € 74.1 million only has to be repaid in the following circumstances:
 - Bankruptcy or suspension of payments, failure to meet the loan terms and conditions, or appointment of a receiver or administrator.
 - End of participation in EY Global.
- The difference (€ 44.9 million) between the amounts received and the fair value at the time of receipt is recognized as a contribution to the withdrawals paid (net amount recognized in Equity, see Note 49).

53 Events after the reporting period

After the reporting date no occurrences arose that need to be reported.

Appendices

Combined statement of income Ernst & Young Nederland LLP
and Holland Van Gijzen Advocaten en Notarissen LLP (unaudited) 188

Combined statement of financial position Ernst & Young Nederland LLP
and Holland Van Gijzen Advocaten en Notarissen LLP (unaudited) 189

Combined statement of income (unaudited)

Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP¹³

(for the year ended 30 June 2012)

	2011/2012	2010/2011
	€000	€000
Revenue		
Rendering of services ¹⁴	634,768	636,134
Other income	24,142	19,228
	658,910	655,362
Operating expenses		
Services provided by foreign Ernst & Young member firms and third parties	70,362	69,907
Employee benefits expenses ¹⁵	290,165	261,314
Depreciation of property, plant and equipment	14,894	17,016
Amortization of intangible assets	158	140
Other operating expenses ^{14,15}	158,388	158,505
	533,967	506,882
Operating profit	124,943	148,480
Finance income	585	681
Finance expenses (including interest on members' capital)	-12,749	-20,504
Share of profit from joint venture	13	168
Profit before tax from continuing operations	112,792	128,825
Income tax expenses	49	-734
Profit from continuing operations	112,841	128,091
Discontinued operations		
Profit after tax from discontinued operations	-	-
Profit for the financial year	112,841	128,091

13) Basis of preparation of the combined financial statements:
Aggregation of the consolidated statement of income and statement of financial position of Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP without elimination of any transactions between the two groups, except for the elimination of the current account balances between the two groups.

14) For 2010/2011 credits received from seconded partners have been reclassified from Other operating expenses to Revenue (€ 2.3 million).

15) Mobility expenses and other staff expenses qualifying as Employee benefits expenses are reclassified from Other operating expenses to Employee benefits expenses as from 2011/2012. Figures of 2010/2011 have been restated.

Combined statement of financial position (unaudited)

Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP¹⁶

(as at 30 June 2012)

	30 June 2012	30 June 2011
	€000	€000
Assets		
<i>Non-current assets</i>		
Property, plant and equipment	46,035	73,079
Intangible assets	5,284	66
Investment in a joint venture	-	12
Other non-current financial assets	4,689	1,459
	56,008	74,616
<i>Current assets</i>		
Trade and other receivables	202,818	239,361
Prepayments	102,067	105,484
Other current financial assets	89	1,101
Income tax receivable	348	-
Cash and short-term deposits	66,777	68,551
	372,099	414,497
Total assets	428,107	489,113
Equity and liabilities		
<i>Current liabilities</i>		
Trade and other payables	177,798	198,748
Interest-bearing loans and borrowings	40,143	65,754
Other current financial liabilities	-	-
Provisions	6,517	6,976
Employee benefits	43,492	34,198
Members' capital	-	4,900
Income tax payable	-	283
	267,950	310,859
<i>Non-current liabilities</i>		
Interest-bearing loans and borrowings	106,440	108,861
Other non-current financial liabilities	1,724	-
Advances received	-	8,308
Provisions	16,598	20,940
Employee benefits	4,455	5,230
	129,217	143,339
Total liabilities	397,167	454,198
<i>Equity</i>		
Members' capital	80,408	75,036
Reserves	-49,468	-40,121
	30,940	34,915
Total equity and liabilities	428,107	489,113

16) Basis of preparation of the combined financial statements: Aggregation of the consolidated statement of income and statement of financial position of Ernst & Young Nederland LLP and Holland Van Gijzen Advocaten en Notarissen LLP without elimination of any transactions between the two groups, except for the elimination of the current account balances between the two groups.

Other information GRI Index*

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
1. Strategy and Analysis					
1,1	Statement from the most senior decision-maker of the organization.	Fully	Page 11-13		
1,2	Description of key impacts, risks, and opportunities.	Fully	Page 11-13		
2. Organizational Profile					
2,1	Name of the organization.	Fully	Cover		
2,2	Primary brands, products, and/or services.	Fully	Page 25		
2,3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Fully	Page 25 Page 72		
2,4	Location of organization's headquarters.	Fully	Page 199		
2,5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Fully	Page 6 Page 25		
2,6	Nature of ownership and legal form.	Fully	Page 71-74		
2,7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Fully	Page 5-6 Page 25		
2,8	Scale of the reporting organization.	Fully	Page 10 - Revenues & workforce Page 18 - Equity Page 27- 43 - Quantity of services (pie charts) Page 83 - Debt		
2,9	Significant changes during the reporting period regarding size, structure, or ownership.	Fully	There are no significant changes during the reporting period 2011-2012 regarding size, structure, or ownership.		
2,10	Awards received in the reporting period.	Fully	Page 57		This is reported in the Our people culture section (Diversity & Inclusiveness).

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
3. Report Parameters					
3,1	Reporting period (e.g., fiscal/ calendar year) for information provided.	Fully	Page 3 Page 87		
3,2	Date of most recent previous report (if any).	Fully	Annual Review and Corporate Responsibility report 2010/2011: 27 September 2011.		
3,3	Reporting cycle (annual, biennial, etc.)	Fully	Page 87		
3,4	Contact point for questions regarding the report or its contents.	Fully	Page 199-200		
3,5	Process for defining report content.	Partially	Page 3 - Overall materiality process Page 46 - Most material CR topics (our 4 E's of CR)	Description is missing of how our most material topics are determined and prioritized	Next year, in the light of GRI-G4 we aim to further improve our materiality assessment and make it an integral part of our annual integrated reporting process
3,6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Fully	Page 3-4		
3,7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Fully	Page 4		
3,8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Fully	Page 3		
3,9	Data measurement techniques.	Fully	Page 3-4		
3,10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Fully	Page 89		
3,11	Significant changes from previous periods in the scope, boundary, or measurement methods applied in the report	Fully	No significant changes occurred in fiscal year 2011-2012.		
3,12	Table identifying the location of the Standard Disclosures in the report.	Fully	Page 190-196		
3,13	Policy and current practice with regard to seeking external assurance for the report.	Fully	Page 4		

Other information GRI Index

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
4. Governance, Commitments, and Engagement					
4,1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Fully	Page 73		
4,2	Indicate whether the Chair of the highest governance body is also an executive officer.	Fully	Page 71-74		
4,3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Fully	Page 73		
4,4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Fully	Our employees are represented in a 19 people Works Council (Ondernemingsraad), which is legally underpinned by Dutch law. This years main subject for the Works Council were: a) upcoming accountancy laws; b) workplace of the future; c) governance structure. During strategic sessions the Works Council provided advice to our sub area leadership team.		
4,5	Linkage between compensation for members of the highest governance body, senior managers and executives and the organisation's performance	Fully	Members of the Board of Directors are all partners and are accordingly assessed through our Global Partner Performance Management. An explanation of our GPPM can be found in our 2011 Transparency Report		
4,6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	Page 68-70		
4,7	Process for determining the qualifications and expertise of the members of the highest governance body	Fully	Formal appointment as chairman and board of directors is recorded in our Regulations. The appointment is done by the Europe Managing Partner in consultation with the Europe Executive and partners.		
4,8	Internally developed statements of mission or values, codes of conduct and principals relevant to economic, environmental and social performance and the status of their implementation	Fully	Page 7 Page 74		

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
4,9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance	Fully	Page 73		
4,10	Processes for evaluating the highest governance body's own performance	Fully	Members of the Board of Directors are all partners and are accordingly assessed through our Global Partner Performance Management An explanation of our GPPM can be found in our 2011 Transparency Report		
4,11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Fully	Page 69-70		
4,12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or endorses	Fully	Page 3-4 Page 52 World Economic Forum WBCSD		
4,13	Memberships in associations	Fully	Accountants LLP - Assurance International Federation of Accountants European Federation of Accountants Dutch Accountancy Body NBA Accountants LLP - Reporting: International Accounting Standards Board International Integrated Reporting Council Global Reporting Initiative Dutch Accounting Standards Board Prince of Wales Accounting for Sustainability project Accountants LLP - Advisory: Management Accountants Institute Internal Auditors doen. Thought Leadership Dutch Sustainable Growth Coalition Strategic Community Engagement Partners - Page 65		
4,14	List of stakeholder groups engaged by the organization.	Fully	Page 8-9		
4,15	Basis for identification and selection of stakeholders with whom to engage.	Fully	Page 3 Page 42 Page 71-74		
4,16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Fully	Page 8-9		

Other information GRI Index

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
4,17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Fully	Page 8-9		
Economic performance					
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Fully	Page 10 Page 19		
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Not		Not applicable	The implications from climate change are limited and indirect.
EC3	Coverage of the organisations's defined benefit plan obligations	Fully	Financial Statements, Note 21 Employee Benefits Page 129-130		
EC4	Significant financial assistance received from government	Not		Not material	We have not received any significant financial assistance from government.
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Not		Not applicable	We are located in all parts of the Netherlands. The Netherlands itself is our significant location of operation.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	Not		Not material	Most of our senior management is Dutch.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	Fully	Page 63-65		
Environmental					
EN1	Materials used by weight or volume	Fully	Page 62		
EN2	Percentage of materials used that are recycled input materials	Not		Not material	This percentage is not significant for materials used considered significant, please refer to EN1.

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
EN3	Direct energy consumption by primary energy source	Not		Not available	We do not report on this yet as we have thus far only measured the CO2 emissions of our direct energy consumption from offices and travels. But we will be able to report on this in 2013.
EN4	Indirect energy consumption by primary source	Not		Not applicable	In our CO ₂ footprint we make no separation between direct and indirect energy consumption.
EN8	Total water withdrawal by source	Not		Not material	No water is directly withdrawn from natural sources.
EN11	Location and size of land owned, leased, managed in or adjacent to protected areas of high biodiversity value outside protected areas	Not		Not applicable	We do not own, lease, or manage land in or adjacent to protected areas.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Not		Not material	Our services and products have no direct impact on biodiversity.
EN16	Total direct and indirect greenhouse gas emissions by weight	Fully	Page 10 Page 62		
EN17	Other relevant indirect greenhouse gas emissions by weight	Not		Not material	E&Y has no other indirect greenhouse gas emissions.
EN19	Emissions of ozone-depleting substances by weight	Not		Not material	E&Y does not have significant emission levels of ozone-depleting substances.
EN20	NO, SO and other significant air emissions by type and weight	Not		Not material	Not material as E&Y does not have significant NO, SO or other emissions.
EN21	Total water discharge by quality and destination	Not		Not applicable	Not reported as no water is directly withdrawn or discharged by E&Y.
EN22	Total weight of waste by type and disposal method	Not		Not available	Waste is only part of our CO ₂ emissions.
EN23	Total number and volume of significant spills	Not		Not material	Not material as no significant volumes of hazardous substances are processed by E&Y.

Other information GRI Index

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
EN26	Initiatives to mitigate environmental impacts of products and services and extent of impact mitigation	Fully	Page 61-63		
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Not		Not applicable	Our services and products do not involve packaging material.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	Not		Not applicable	No related administrative or judicial cases have been brought against the organisation resulting in significant fines or non-monetary sanctions for noncompliance to laws and regulations.
Human rights					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not		Not applicable	Human rights aspects are not directly relevant to operations in the Netherlands.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Fully	Page 61		
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not		Not applicable	See HR1

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
HR4	Total number of incidents of discrimination and actions taken		In FY 2011/2012 we had 16 claims from people who felt inferior or intimidated and discriminated on the basis of religion, age, gender, or ethnicity. One incident only proved clear abuse of authority. For all other cases deliberate discrimination or bullying was not or hardly proven. Conversations with the affected made clear that own interpretations of motives and behavior of others played part in the affected's perception of that specific discriminating behavior. In all 16 cases our internal social consultant used the protocol for sexual intimidation, discrimination, and (psychological) violence. The alleged inflictor was most often involved in problem-solving actions. As of conversations among all concerned and improvement of the affected's assertiveness (i.e. through training/coaching) none of the 16 claims lead to official complaints.		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be significant risk and actions taken to support these rights	Not		Not material	No related significant risks apply to our direct operations.
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of forced or compulsory labour	Not		Not material	No related significant risks apply to our direct operations.

Other information GRI Index

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures to contribute to the elimination of forced or compulsory labour	Not		Not material	No related significant risks apply to our direct operations.
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Not		Not applicable	Human rights aspects are not directly relevant to operations in the Netherlands.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Not		Not applicable	Human rights aspects are not directly relevant to operations in the Netherlands.
Employment					
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Fully	Page 55-57		
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Fully	Page 55-57		
LA4	Percentage of employees covered by collective bargaining agreements	Not		Not applicable	EY makes only collective agreements that are valid for all employees.
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	Not		Not applicable	Standard notice period(s) are in compliance with Dutch law and legislation and included in standard employment contracts.
Occupational health and safety					
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Partially	Page 10 Page 59	Not material	With regards to our sector, the rate of injury is not material.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Fully	Page 58		

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
Training and education					
LA10	Average hours of training per employee by gender, and by employee category	Partially	Page 56 - # training hours Page 55 - Total FTE Average training hours per FTE: 33,2 hours	Not available	We do not break down by gender and employee category yet, as we have thus far been unable to gather the data because we didn't adequately record this in our training system. But we will be able to record on this in 2013.
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Fully	Page 56-57 Page 60		
Diversity and equal opportunity					
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	Fully	Page 57		
LA14	Ratio of basic salary of men to women employee category	Not		Not material	The ratio between the salaries of men and woman is not a relevant steering instrument. The remuneration system is based on function level and performance.
LA15	Return to work and retention rates after parental leave, by gender	Not		Not material	Parental leave is not identified as a KPI for our employees
Product responsibility					
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	Not		Not material	Our service have no physical impact on health and safety and therefore need no improvement on this.
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Not		Not applicable	No regulations or codes are applicable to the information and labeling of our services with respect to sustainability impacts.

Other information GRI Index

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship	Fully	For any external communications our Marketing & Communication department follows the SCORE review and approval process. By means of adhering to this global and internally developed code of conduct EY NL aims to lower her legal risks. Additionally, and also referring to SCORE, is a set of rules for accurate communication of factuals, claims, approvals and formalities. In 'Smart sponsorship' EY makes explicit her principles and practices with regard to sponsorship. EY's principles for advertising are being laid out in a document named 'The "See more" advertising campaign'. These rules and principles are considered in any of MarCom's activities with regard to sponsoring and advertising.		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully	See SO8.		
Society					
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities including entering, operating and exiting	Fully	Page 63-65		
SO2	Percentage and total number of business units analysed for risks related to corruption	Partially	Bribery would be the most relevant form of corrupt practices by our employees, causing operational and compliance risks. See pages 66, 69 and 74.	Not applicable	Our anti-bribery and insider trading policies are intertwined in our daily operations and cross all our services and sub-services.
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Partially	In total, 382 employees took part in different trainings that were specifically related to fraud	Not available	Percentage can't be given since we report totals in FTE's, not absolute headcounts.

Profile Disclosure	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
SO4	Actions taken in response to incidents of corruption	Fully	Transparency Report 2012, page 16-18		Furthermore, periodic inspection on corruption is an integrated part of our risk-analysis for each new client. During the acceptance of assurance engagement at new clients or in situations of important changes at existing clients, we perform an elaborated check by means of our client questionnaire (GTAC). This risk-analysis is done by the engagement teams in all of our service lines. These are thousands of analyses annually. As such, we aim to take a proactive approach towards corruption at clients and prevent any actual incidents.
SO5	Public policy positions and participation in public policy development and lobbying	Not		Not applicable	No publicly expressed positions can be held that could effect the integrity of the practice.
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	Transparency Report 2012, page 24		
SO9	Operations with significant potential or actual negative impact on local communities	Not		Not applicable	Local communities are uncommon in The Netherlands.
S10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Not		Not applicable	Local communities are uncommon in The Netherlands.

Other information GRI Index

DMA	Description	Reported	Cross-reference/Direct answer	Reason for omission	Explanation
DMA EC	Disclosure on Management Approach EC	Fully			
Aspects	Economic performance	Fully			
	Market presence	Fully			
	Indirect economic impacts	Fully			
DMA EN	Disclosure on Management Approach EN	Fully			
Aspects	Materials	Fully			
	Energy	Fully			
	Water	Fully			
	Biodiversity	Fully			
	Emissions, effluents and waste	Fully			
	Products and services	Fully			
	Compliance	Fully			
	Transport	Fully			
	Overall	Fully			
DMA LA	Disclosure on Management Approach LA	Fully			
Aspects	Employment	Fully			
	Labor/management relations	Fully			
	Occupational health and safety	Fully			
	Training and education	Fully			
	Diversity and equal opportunity	Fully			
	Equal remuneration for women and men	Fully			
DMA HR	Disclosure on Management Approach HR	Fully			
Aspects	Investment and procurement practices	Fully			
	Non-discrimination	Fully			
	Freedom of association and collective bargaining	Fully			
	Child labor	Not			
	Prevention of forced and compulsory labor	Not			
	Security practices	Fully			
	Indigenous rights	Not			
	Assessment	Fully			
	Remediation	Fully			
DMA SO	Disclosure on Management Approach SO	Fully			
Aspects	Local communities	Fully			
	Corruption	Fully			
	Public policy	Fully			
	Anti-competitive behavior	Fully			
	Compliance	Fully			
DMA PR	Disclosure on Management Approach PR	Fully			
Aspects	Customer health and safety	Fully			
	Product and service labelling	Fully			
	Marketing communications	Fully			
	Customer privacy	Fully			
	Compliance	Fully			

GRI's six disclosures on management approach (DMA's: EC[onomic]; EN[vironment]; L[abour]A[spects]; H[uman] R[ights]; SO[ciety]; P[roduct]R[esponsibility]) fit well within EY NL's four E's of sustainability: **Entrepreneurship** (EC & PR; page 46 and page 48-53); creating value in the marketplace and encouraging sustainable growth business models; **Employees** (LA & HR; page 54-60); good employment practices; **Environment** (EN; page 61-64); reducing the ecological footprint; **Community Engagement** (SO; page 63-65); sharing know-how and skills with society. As such, the policy descriptions for each of our four E's provide the context for our reported performance information, for which we also followed the GRI3.1 guidelines. Each of our four E's of sustainability is lead by one of our Leadership Team members. Together, they independently form our Corporate Responsibility Steering Committee (see page 73 for more info). The CR Steering Committee committed herself to a quarterly reviewed set of ambitions and objectives (see page 47). P.s.1 For a more detailed explanation of our P(roduct) R(esponsibility) we kindly refer to our Transparantieverslag. P.s.2 Notice that not all DMA aspects are relevant to our business, including Child labor, Forced and Compulsory labor, and Indigenous Rights.



Statement GRI Application Level Check

GRI hereby states that Ernst & Young Netherlands LLP has presented its report "Ernst & Young Netherlands Annual Review 2011/2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 27 September 2012



Nelmar Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Ernst & Young Netherlands LLP has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 24 September 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

Report of the Board

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Assurance report

To: Ernst & Young Nederland LLP

Engagement

We have performed an assurance engagement in accordance with Standard 3410 'Assurance standard relating to social reports'. Our assurance engagement aimed to obtain limited assurance that the information on Corporate Responsibility on pages 46 to 65 in the Integrated Annual Report (hereafter The CR Information) of Ernst & Young Nederland LLP is, in all material respects, a reliable and adequate representation of the performance with respect to Corporate Responsibility during the year ended 30 June 2012. Our engagement does not provide any assurance relating to future information such as estimates, expectations or targets, or their achievability. The procedures performed in order to obtain limited assurance aim to verify the plausibility of information and are more limited than procedures to obtain reasonable assurance. Therefore less assurance is obtained than in an engagement to obtain reasonable assurance.

Ernst & Young Nederland LLP's responsibility for the CR Report

Ernst & Young Nederland LLP is responsible for the preparation of the report and the information therein. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of

CR Information that is free of material misstatements, selecting and applying appropriate reporting policies that include the Global Reporting Initiative (GRI) reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The choices made by management, the scope of this report and the reporting policy, including any inherent limitations that could affect the reliability of information, are set out on page 3 of the report.

The auditor's responsibility

Our responsibility is to express a conclusion with regard to the CR Information based on the engagement described above. We conducted our limited assurance engagement in accordance with Dutch law, the relevant Standards on Auditing and the requirements set out therein with respect to the independence of assurance team members.

We have performed all the procedures deemed necessary to obtain the evidence that is sufficient and appropriate to provide a basis for our conclusions. Our main procedures were:

- assess the acceptability of the reporting principles used for the CR Information for the year ended 30 June 2012 against the Sustainability Reporting Guidelines issued by the Global Reporting Initiative;
- assess the significant estimates and calculations made in preparing the CR Information for the year ended 30 June 2012 and inquiries regarding its consistent application;

Report of the Board

Other information

- ▶ review the reliability of the information on Corporate Responsibility in the Integrated Annual Report report of Ernst & Young Nederland LLP by:
 - obtaining an understanding of the sector and the relevant social responsibility issues specific for the organization;
 - obtaining an understanding of the systems and methods used to collect, process and consolidate the reported information, including the related internal controls;
 - perform, based on a risk analysis, further procedures related to substantiating the quantitative and descriptive CR Information, by a combination of analytical procedures and inquiries. This includes interviews with the company officers responsible and evaluating relevant internal and external sources of information. We conducted these procedures on a test basis at the group level.
- ▶ assess the sufficiency of the CR Information in the Integrated Annual Report for the year ended 30 June 2012 of Ernst & Young Nederland LLP and its overall presentation against the criteria set out above

Conclusions

Based on our procedures performed to obtain a limited assurance nothing came to our attention that causes us to believe that the information on Corporate Responsibility on pages 46 to 65 in the Integrated Annual Report for the year ended 30 June 2012 of Ernst & Young Nederland LLP, in all material respects, does not provide a reliable and sufficient representation of the policy, business operations and performance with respect to Corporate Responsibility during the year ended 30 June 2012, in accordance with the Sustainability Reporting Guidelines issued by the Global Reporting Initiative.

We also report, to the extent of our competence, that information related to Corporate Responsibility in other sections of the Integrated Annual Report is consistent with the information that was part of our assurance engagement.

Rotterdam, 28 September 2012

BDO Audit & Assurance B.V.
for and on behalf of,

W.A. de Jong RA

Report of the Board

Other information

NL OFFICES AND ADDRESSES

Alkmaar

Arcadialaan 16 c+d
1813 KN Alkmaar
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 79205

Amsterdam

Antonio Vivaldistraat 150
1083 HP Amsterdam
Netherlands
Phone: +31 88 407 1000
Fax : +31 88 407 1005

Arnhem

Meander 861
6825 MH Arnhem
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 76005

Breda

Bijster 26
4817 HX Breda
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 73605

Eindhoven

Prof. Dr. Dorgelolaan 14
5613 AM Eindhoven
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 74800

Groningen

Leonard Springerlaan 17
9727 KB Groningen
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 72505

Leeuwarden

Van der Nootstraat 2
8913 HV Leeuwarden
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 73355

Maastricht

Stationsplein 8C
6221 BT Maastricht
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 73455

Naaldwijk

Tiendweg 32
2671 SB Naaldwijk
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 76405

Rotterdam - Head Office

Boompjes 258
3011 XZ Rotterdam
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 78970

Rotterdam

Marten Meesweg 51
3068 AV Rotterdam
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 78970

Den Haag

Wassenaarseweg 80
2596 CZ The Hague
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 74187

Utrecht

Euclideslaan 1T
3584 BL Utrecht
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 73030

Venlo

Veestraat 5
5914 RJ Venlo
Netherlands
Phone: +31 77 321 3400
Fax : +31 77 321 3410

Zwolle

Zwartewaterallee 56
8031 DX Zwolle
Netherlands
Phone: +31 88 40 71000
Fax : +31 88 40 79405

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For questions regarding this report or its content:

Ernst & Young

Jhorna Smidt - Marketing & Communication

PO Box 488

3000 AL Rotterdam

The Netherlands

+31 (0)88- 407 5115

e-mail: jhorna.smidt@nl.ey.com

Internet: www.ey.com/nl

www.ey.com

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