

Ernst & Young LLP

Members' Annual Report and Financial Statements

30 June 2023

Registered No. OC300001
Registered in England and Wales



Members' report

The members present their report and financial statements for the period ended 30 June 2023.

Ernst & Young LLP

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

Management

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

The Board is appointed by the EOE. The UK Country Managing Partner chairs the Board. The Country Managing Partner is appointed by the Europe Managing Partner, who has the right to remove the Country Managing Partner, having consulted with the Board and appropriate partners and with the consent of the EOE. The Country Managing Partner of the firm is Hywel Ball.

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

Anna Anthony
Hywel Ball
Lisa Cameron
Christabel Cowling
Alison Duncan
Jane Goldsmith
Adam Munton
Lynn Rattigan
Sundaresan Viswanathan
Andrew Walton

The Board is also responsible for appointing the Designated Members. The Designated Members as of 30 June 2023 were Lisa Cameron, Lynn Rattigan and Hywel Ball.

Governance

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

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

Members' report

Tax governance

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

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

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

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

Commentary

The firm has achieved revenue growth of 16%, increasing from £3,229m to £3,755m. The firm saw growth across all of its four service lines with the strongest being Taxation at 20%. This was followed by Consulting, Assurance and Strategy and Transactions which generated growth of 18%, 17%, and 8% respectively. Operating expenses increased as the firm extended its collaboration with EY global delivery centres and continued to invest globally in technology.

The long-term investments the firm has made in the business have underpinned its growth in FY23 and position the firm well to continue this trajectory. Over the last financial year, the firm recruited 5,326 people, with 39% of hires based outside of London. Since January 2023, the firm has welcomed over 1,800 graduates, school leavers and interns with 40% based in regional locations. The firm has further strengthened the UK business with 267 new partners, marking a 10% increase in the firm's total partner population in the UK to 1,701, compared to 1,534 partners at the start of the last financial year. 42% (112) of the new appointments are equity partners and around a quarter (62) of all the new partner appointments are based outside of London.

Client demand has remained strong, particularly in areas such as technology consulting, tax and audit. Companies have been looking to the firm's deep expertise as they transform their businesses in response to the economic and regulatory environment and development of rapidly emerging technologies.

In FY23 the firm acquired Whyaye Limited, a UK-based consulting services provider for the ServiceNow platform, and Digital Detox Ventures Limited, a UK-based digital engineering consultancy. Acquisitions during the current and preceding period contributed revenue of £31m (2022: £47m). Proforma revenue for the firm for entities within the firm before 2 July 2021 was £3,724m compared with pro forma revenue of £3,182m in the previous year. This represents underlying organic growth of 17%.

The statutory profit for the financial period decreased from £693m in 2022 to £638m in 2023 whilst the corresponding average statutory profit per partner decreased from £878,000 to £737,000 in 2023. The distributable profit before tax for the financial period increased from £634m in 2022 to £659m in 2023 and the corresponding average distributable profit per partner decreased from £803,000 to £761,000.

In April 2023, EY announced that it had stopped working on a proposal to separate certain parts of the EY business as part of a strategic network review. EY is continuing to focus on providing an exceptional service to clients and driving long term value for its people and businesses.

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

Members' report

Going concern

The firm has prepared a base case forecast with multiple sensitivities through to December 2024 focusing on the impact of a range of declines in revenue, cash collection rates and increased costs. The forecasts include severe but plausible scenarios and the resulting impact on the firm's cash flows, borrowing facilities and associated covenants has then been considered, alongside reverse stress testing. We have also considered what mitigations could be put in place if required such as reducing discretionary spend, pausing recruitment, a reduction or delay in staff bonuses and Partner distributions and raising additional capital from members.

At the latest month end, September 2023, the firm had net cash of £72m, and, as outlined in note 21, committed borrowing facilities of £438m at the date of signing the accounts, of which £40m will mature in January 2024 and a further £88m will mature before the end of June 2024. Having considered the detailed analysis and the firm's long standing relationships with lenders, the Designated Members are confident that the firm will maintain an appropriate level of committed facilities with adequate headroom throughout the period with no mitigating actions required. In addition to the committed facilities, the Designated Members expect that additional uncommitted facilities of £35m will remain available in the short term. The Designated Members are confident in the resilience of the business and believe that the firm is well placed to manage its business risks successfully.

The Designated Members therefore have a reasonable expectation that the firm has adequate resources to continue in operational existence to 31 December 2024 and so continue to adopt the going concern basis of accounting in preparing the annual financial statements.

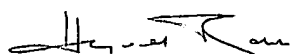
UK taxation of income

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

The tax expense recognised in these financial statements relates to corporate income taxes arising in the LLP's corporate subsidiaries at a rate of 20.5% (2022: 19%). Current tax liabilities are measured at the amount expected to be paid to the taxation authorities, based on tax rates and laws that are substantively enacted by the balance sheet date. Deferred tax balances have been calculated at a rate of 20.5%, which is the rate prevailing in the period when the deferred tax balances are expected to be utilised.

Energy and carbon report

The firm's energy and carbon report is included on pages 53 to 62.



Hywel Ball
Chairman
Date: 26 October 2023

Statement of members' responsibilities

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

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

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

Under the LLP Regulations, the members are responsible for ensuring that adequate accounting records are kept which disclose with reasonable accuracy at any time the financial position of the firm and the LLP, and which enable them to ensure that the financial statements will comply with those regulations. The members have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the firm and LLP and to prevent and detect fraud and other irregularities. The members are responsible for the maintenance and integrity of the firm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

The firm, which is part of the EY global network, has considerable financial resources, contracts with a large number of clients across different industries and geographies and has talented and motivated partners and employees. Information about its capital and exposure to liquidity risk is set out in notes 15 and 21 to the financial statements.

Independent auditor's report

to the members of Ernst & Young LLP

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Limited Liability Partnership's affairs as at 30 June 2023 and of the Group's profit and the Limited Liability Partnership's profit for the period then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

We have audited the financial statements of Ernst & Young LLP ('the Limited Liability Partnership' or 'EY') and its subsidiaries ('the Group') for the period ended 30 June 2023 which comprise the Consolidated and Limited Liability Partnership's Income Statements, the Consolidated and Limited Liability Partnership's Statements of Comprehensive Income, the Consolidated and Limited Liability Partnership's Balance Sheets, the Consolidated and Limited Liability Partnership's Statements of Cash Flows, the Consolidated and Limited Liability Partnership's Statements of Changes in Members' Interests and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Members' assessment of the Group and the Limited Liability Partnership's ability to continue to adopt the going concern basis of accounting included:

- Agreeing the underlying data used in the Members assessment of going concern to board approved budgets, the starting position to current Management accounts and the opening cash position to supporting bank statements.
- Corroborating the available facilities across the going concern period to supporting signed agreements or other corroborating third party evidence.
- Challenging the assumptions used in the board approved forecasts for the base case and evaluating these against prior period actuals.
- Evaluating the judgements and sensitivities used against external economic data.
- Assessing covenants compliance is met throughout the going concern period for both the base case and stressed scenarios.

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

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

Independent auditor's report

to the members of Ernst & Young LLP

Overview

Coverage¹	99% (2022: 99%) of Group profit before taxation		
	97% (2022: 98%) of Group revenue		
	89% (2022: 90%) of Group total assets		
Key audit matters	Description	2023	2022
	Revenue recognition and valuation of unbilled receivables	✓	✓
	Completeness and valuation of provisions for professional liability claims and regulatory matters	✓	✓
	Valuation of defined benefit pension liabilities	x	✓
	Valuation of goodwill and intangible assets	x	✓
	Valuation of defined benefit pension liabilities is no longer a key audit matter as the associated judgements, actuarial assumptions and calculations used for this closed scheme are no longer considered to represent a significant risk.		
	Valuation of goodwill and intangible assets was previously considered to be a key audit matter due to the complexity of the acquisition accounting and impairment reviews; the complexity has decreased in the current period with less acquisitions and increased certainty of forecasts from achieved results.		
	Whilst these areas remain as audit risk areas, they are no longer considered to be key audit matters as their risk of material misstatement has decreased.		
Materiality	The materiality that we used for the Group financial statements was £31m (2022: £31m) and was determined by applying 5% (2022:5%) to profit distributable to members (before tax) for the period ended 30 June 2023, based on forecasted results provided at the planning stage and not revised upward for final results.		
	Materiality for the Limited Liability Partnership financial statements was set at £28m (2022: £29m).		

¹ These are areas which have been subject to a full scope audit by the group engagement team.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of Management override of internal controls, including assessing whether there was evidence of bias by Management that may have represented a risk of material misstatement.

The scope of our work for the Group audit focused on two significant components (2022: 2), which were both subject to full scope audit procedures by the Group engagement team.

The two components considered to be significant were Ernst & Young LLP, the parent entity, and Ernst & Young Services Limited.

The 22 other components (2022: 20) were non-significant, they were all subject to analytical review procedures and certain financial statements areas within these components were subject to risk-based procedures undertaken by the Group engagement team to confirm our conclusion that there were no significant risks of material misstatement for the consolidated financial information.

Independent auditor's report

to the members of Ernst & Young LLP

Climate change

Our work on Management's assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of Management and those charged with governance to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board, other Executive Management and Audit Committee meetings and other papers related to climate change and performing a risk assessment as to how the impact of the Group's commitment may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in Management's going concern assessment.

We also assessed the consistency of Management's disclosures included as 'Other Information' on pages 53 – 62 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

Key audit matters

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

Independent auditor's report

to the members of Ernst & Young LLP

Key audit matter	Description	How we addressed the key audit matter in the audit
<p>Revenue recognition and valuation of unbilled receivables</p> <p>The Group's accounting policy in respect of revenue recognition and the assessment of significant estimates are described in note 2 on page 19 and 20 respectively. Other related disclosures are presented in notes 3 and 14.</p>	<p>Revenue is recognised by reference to the stage of completion of the contract with a customer. This requires judgements and estimates to identify the performance obligations, the stage of completion, and the amount to be recognised as revenue, over time or at a point in time, in accordance with the specific contract.</p> <p>To determine the timing of the recognition of revenue at the period-end and the value of unbilled receivables recognised in the balance sheet, an estimate is made of the stage of completion of a performance obligation and the right to consideration at the period-end for each individual engagement.</p> <p>Determining the stage of completion of performance obligations and the value of future consideration receivable can involve complex and subjective judgements at an individual engagement level.</p> <p>This resulted in revenue recognition at the period end, including the valuation of unbilled receivables, being assessed as a significant risk of material misstatement and a key audit matter.</p>	<p>Tests of controls: We tested the operating effectiveness of key controls in the revenue transaction cycle for all significant components where revenue was a significant audit risk. This included controls over the signing of the contract with the customer, the accuracy of timecards, costs incurred on engagements, the automatic calculation of unbilled receivables and the confirmation of the stage of completion at and around the period end.</p> <p>Tests of detail: For engagements open at the period end, we also performed substantive testing procedures at the engagement level, to address the risk over revenue recognition at period-end as follows:</p> <ul style="list-style-type: none"> • Re-calculated the expected revenue recognised to conclude whether it was determined in line with contractual terms, the Group's accounting policy and to ensure revenue recognition was in accordance with the requirements of the accounting framework. • Challenged the stage of completion, revenue recognised, and any provisions held against unbilled amounts through enquiry with the EY engagement teams and through obtaining corroborating evidence. • Assessed open engagements against engagement level data available around the period end, both before and after, to substantiate the estimates used in determining the revenue recognised. • Performed a retrospective review of the samples selected for testing in the prior and current period against updated or finalised information to assess the accuracy of Management's estimates. <p>Key observations</p> <p>We did not identify any significant deficiencies in internal control related to revenue recognition as a result of our audit work.</p> <p>Based on the work performed, we consider the assumptions made by Management to be appropriate and we did not identify any indications of bias in determining the valuation of period end revenue and unbilled receivables.</p>

Independent auditor's report

to the members of Ernst & Young LLP

Key audit matter	Description	How we addressed the key audit matter in the audit
<p>Completeness and valuation of provisions for professional liability claims and regulatory matters</p> <p>The accounting policy for provisions in respect of claims and regulatory matters is included within note 2 on page 23 and noted as a financial statement area subject to significant judgement and estimation uncertainty. The disclosures associated with claims and regulatory matters are included in note 18.</p>	<p>In accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', provision is made for claims for alleged professional negligence and regulatory matters when there is a present obligation as a result of a past event that gives rise to a probable payment and when the quantum of the payment can be reliably estimated.</p> <p>Determining whether to provide and if so, the amount to provide, involves a high degree of judgement and estimation uncertainty relating to the costs to defend or settle these actual or potential matters.</p> <p>This results in the completeness and valuation of provisions for professional liability claims and regulatory matters being assessed as a significant risk of material misstatement and a key audit matter.</p>	<p>Audit procedures performed over the completeness and valuation of professional liability claims and regulatory matters included:</p> <ul style="list-style-type: none"> • Inspection of documentation verifying the existence of the Group's professional indemnity insurance cover and the appropriateness of recognising reimbursements as relevant. • Enquiry of the Group's legal counsel and where applicable external counsel as to the status of claims and actions by regulatory bodies, clients and audited entities which were corroborated to internal and where available third-party documentation. • Obtaining and reviewing the period end claims confirmations prepared by each service line to ensure that all matters had been appropriately considered. • Challenging judgements and estimates in relation to quantum and timing used to calculate the provisions by obtaining supporting documentation and considering Management's ability to exercise bias. • Obtaining and reviewing other internal and publicly available information to determine whether the information obtained was complete. • Performing a retrospective review of a sample of prior period claims provisions against updated or finalised information to assess the accuracy of Management's previous estimates. • Considering the adequacy of the presentation and disclosures in the financial statements related to professional liability claims and regulatory matters. <p>Key observations</p> <p>We did not identify, either from external or internal sources, any material claims or regulatory matters or circumstances not already included in the internal reporting procedures.</p> <p>Based on the work performed, we consider the judgements and estimates made by Management in determining the provision for claims and regulatory matters are appropriate.</p>

Independent auditor's report

to the members of Ernst & Young LLP

Our application of materiality

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

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

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

	Group		Limited Liability Partnership	
	2023	2022	2023	2022
Materiality	£31m	£31m	£28m	£29
Basis for determining materiality	Based on 5% of distributable profit before taxation for the respective period at the planning stage and not revised upward for the final results.			
Rationale for the benchmark applied	Distributable profit before taxation is a principal consideration for users of the financial statements in assessing the financial performance.			
Performance materiality	£23m	£23m	£21m	£21m
Basis for determining performance materiality	Performance materiality was set at 75% of materiality. In setting the level of performance materiality we considered a number of factors including the historically low level of adjustments.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group based on individual component profit before taxation or direct costs. Significant component materiality ranged from £19m to £28m (2022: £17.5m to £29m). For the audit of each component, we further applied performance materiality levels of 75% (2022: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £1.5m (2022: £1m). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report

to the members of Ernst & Young LLP

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting as applied to limited liability partnerships

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

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

Responsibilities of Members

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report

to the members of Ernst & Young LLP

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with Management and those charged with governance, including the General Counsel, the Chair & Managing Partner and the Audit Committee; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 and UK Adopted International Accounting Standards, as well as, those issued by the FRC, ICAEW and PCAOB.

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

Our procedures in respect of the above included:

- Review of minutes of the Board, other Executive Management and Audit Committee meetings throughout the period for evidence of any instances of non-compliance with laws and regulations;
- Review of correspondence with regulators for any instances of non-compliance with laws and regulations;
- Review of financial statements disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

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

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

Independent auditor's report

to the members of Ernst & Young LLP

Fraud (continued)

Based on our risk assessment we considered the areas most susceptible to fraud to be revenue recognition at period end, the valuation of unbilled receivables and completeness and valuation of provisions for professional liability claims and regulatory matters, the responses to which are set out in the key audit matters section of our report.

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

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

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

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

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

Use of our report

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied by Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Limited Liability Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
BDO LLP
9B05E3C2CBBA44E...

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

26 October 2023

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

Consolidated income statement

for the period ended 30 June 2023

	Notes	2023 £m	2022 £m
Fee income	3	3,755	3,229
Expenses billed to clients		(667)	(507)
Net revenue		3,088	2,722
Other operating income		243	206
Staff costs	4	(1,719)	(1,423)
Depreciation and amortisation		(80)	(72)
Other operating expenses	5	(860)	(713)
Operating profit		672	720
Finance revenue		3	1
Finance costs	6	(20)	(13)
Profit before taxation		655	708
Tax expense in corporate subsidiaries		(17)	(15)
Profit for the financial period		638	693

Reconciliation to profit distributable to members

Profit for the financial period (in accordance with IFRS) (before tax)		655	708
Adjustments made in determining distributions	7	16	(62)
Fixed allocation of current period profits		(12)	(12)
Profit for the financial period distributable to members (before tax)		659	634
Tax expense in corporate subsidiaries		(17)	(15)
Profit for the financial period remaining to be divided (after tax)		642	619

Consolidated statement of comprehensive income

for the period ended 30 June 2023

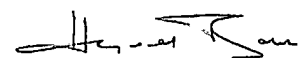
	Note	2023 £m	2022 £m
Profit for the financial period		638	693
<i>Items that will not be reclassified to profit or loss:</i>			
Net remeasurement (losses)/gains on retirement benefit liabilities	20	(94)	196
Fair value (losses)/gains on equity investments		(2)	3
Total comprehensive income for the financial period		542	892

Consolidated balance sheet

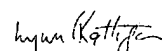
at 30 June 2023

Registered number OC300001

		<i>30 June</i>	<i>Restated</i>	<i>Restated</i>
		<i>2023</i>	<i>1 July</i>	<i>2 July</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Assets				
Non-current assets				
Intangible assets and goodwill	8	116	91	73
Plant and equipment	9	108	112	108
Right-of-use assets	10	248	293	321
Investments	12	32	32	33
Other receivables	13	41	5	–
		<u>545</u>	<u>533</u>	<u>535</u>
Current assets				
Trade and other receivables	14	1,284	1,084	854
Amounts due from members		57	57	54
Cash and cash equivalents		140	386	385
		<u>1,481</u>	<u>1,527</u>	<u>1,293</u>
Total assets		<u><u>2,026</u></u>	<u><u>2,060</u></u>	<u><u>1,828</u></u>
Equity and liabilities				
Current liabilities				
Trade and other payables	16	551	587	452
Payments on account		197	215	166
Interest-bearing loans and borrowings		–	–	50
Lease liabilities	17	51	48	43
Provisions	18	30	24	11
Members' capital		6	7	3
		<u>835</u>	<u>881</u>	<u>725</u>
Non-current liabilities				
Lease liabilities	17	257	293	321
Provisions	18	39	37	70
Annuity obligations	19	20	23	27
Retirement benefit liabilities	20	135	33	267
		<u>451</u>	<u>386</u>	<u>685</u>
Members' capital		219	183	170
Total liabilities		<u>1,505</u>	<u>1,450</u>	<u>1,580</u>
Equity: Members' other interests		<u>521</u>	<u>610</u>	<u>248</u>
Total equity and liabilities		<u><u>2,026</u></u>	<u><u>2,060</u></u>	<u><u>1,828</u></u>



Hywel Ball
Designated Member
Date: 26 October 2023



Lynn Rattigan
Designated Member
Date: 26 October 2023

Consolidated statement of cash flows

for the period ended 30 June 2023

		2023	<i>Restated</i> 2022
	<i>Notes</i>	£m	£m
Profit before taxation		655	708
Adjustment for:			
Net finance costs		17	12
Depreciation and amortisation		80	72
Impairment		4	3
Profit on disposal of plant and equipment		–	(2)
Retirement benefit contributions net of plan administration expenses	20	(48)	(39)
Net past service cost on retirement benefit obligations	20	56	–
Loss on corporate bond fund		1	2
Gain on derivative financial instrument		–	(7)
Increase in trade and other receivables		(216)	(218)
(Decrease)/increase in trade and other payables		(58)	176
Increase/(decrease) in provisions and annuity obligations		5	(24)
		<hr/>	<hr/>
Cash generated from operations		496	683
Corporate tax paid by subsidiaries		(20)	(14)
		<hr/>	<hr/>
Net cash inflows from operating activities		476	669
Purchase of software and plant and equipment		(41)	(38)
Proceeds from sale of plant and equipment		6	8
(Acquisition)/disposal of investments		(3)	2
Acquisition of subsidiaries, net of cash acquired	11	(27)	(20)
Interest received		3	1
		<hr/>	<hr/>
Net cash outflows from investing activities		(62)	(47)
Payments to and on behalf of members		(641)	(536)
Members' capital introduced		45	29
Repayment of capital to retiring members		(10)	(12)
Repayments of loan		–	(50)
Payment of lease liabilities including interest	17	(52)	(51)
Other interest paid		(2)	(1)
		<hr/>	<hr/>
Net cash outflows from financing activities		(660)	(621)
Net (decrease)/increase in cash and cash equivalents		(246)	1
Cash and cash equivalents at beginning of period		386	385
		<hr/>	<hr/>
Cash and cash equivalents at end of period		140	386
		<hr/> <hr/>	<hr/> <hr/>

Consolidated statement of changes in members' interests

for the period ended 30 June 2023

	<i>Members' other interests</i>			<i>Total equity</i>	<i>Amounts due to/(from) members' capital</i>		<i>Total members' interests</i>
	<i>Profits to be divided</i>	<i>Other reserves</i>	<i>Fair value reserves</i>		<i>to/(from) members' capital</i>	<i>members' interests</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<i>At 2 July 2021</i>	518	(271)	1	248	173	(54)	367
Total comprehensive income	693	196	3	892	–	3	895
Transfers between reserves	(62)	62	–	–	–	–	–
Profit allocations	(530)	–	–	(530)	–	530	–
Payments to and on behalf of members	–	–	–	–	–	(536)	(536)
Capital introduced	–	–	–	–	29	–	29
Capital repaid	–	–	–	–	(12)	–	(12)
<i>At 1 July 2022</i>	619	(13)	4	610	190	(57)	743
Total comprehensive income	638	(94)	(2)	542	–	10	552
Transfers between reserves	16	(16)	–	–	–	–	–
Profit allocations	(631)	–	–	(631)	–	631	–
Payments to and on behalf of members	–	–	–	–	–	(641)	(641)
Capital introduced	–	–	–	–	45	–	45
Capital repaid	–	–	–	–	(10)	–	(10)
<i>At 30 June 2023</i>	642	(123)	2	521	225	(57)	689

Notes to the financial statements

at 30 June 2023

1. Corporate information

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

The group and LLP financial statements of Ernst & Young LLP for the period ended 30 June 2023 were approved and authorised for issue by the Board on behalf of the members on 26 October 2023.

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

2. Accounting policies

Basis of preparation

The group and LLP financial statements have been prepared in accordance with UK adopted international accounting standards ("IFRS").

The financial statements have been prepared on the accruals basis of accounting using a number of measurement bases, including historical cost and fair value, as set out in the accounting policies below. The financial statements have been prepared on a going concern basis. The Designated Members have concluded that it is appropriate to adopt this basis having considered multiple forecasts covering a period up to 31 December 2024. The forecasts consider a range of severe but plausible scenarios including varying declines in revenue, cash collection rates and increased costs. The impact on the firm's cash flows, borrowing facilities and associated covenants has then been considered, including reverse stress testing and potential mitigations such as pausing recruitment, a reduction or delay in staff bonuses and Partner distributions and raising additional capital from members. At the latest month end the firm has cash of £72m and committed borrowing facilities of £438m at date of signing the accounts, of which £40m will mature in January 2024 and a further £88m will mature before the end of June 2024. Having considered the detailed analysis and the firm's long standing relationships with lenders, the Designated Members expect that the firm will maintain an appropriate level of committed facilities with adequate headroom throughout the period with no mitigating actions required and that additional uncommitted facilities of £35m will be obtained in the short term.

The Designated Members have therefore concluded that there is no material uncertainty relating to going concern and that it is appropriate to present the financial statements of the firm and the LLP on a going concern basis. Further details of this assessment can be found within the Members' report.

In preparing the financial statements, the firm has considered the impact of the physical and transition risks of climate change and identified this as an emerging risk but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 30 June 2023.

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

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

Restatement

In the current financial year the firm has revised its methodology for identifying individual contract balances, resulting in a more detailed analysis at an individual contract level of payments on account and accruals for work subcontracted to other member firms. The financial statements were required to be restated to reflect this more detailed analysis and adjust previously reported balances. The net impact is an increase to unbilled receivables of £161m in 2022 (2021: £116m), an increase to payments on account of £77m in 2022 (2021: £45m), and an increase to amounts due to EY network entities of £84m in 2022 (2021: £71m). The cash flow statement has been adjusted accordingly, with no impact on net cash flows from operating activities. No adjustment has been required to the income statement. The restatements in the group and LLP financial statements are the same.

Notes to the financial statements

at 30 June 2023

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

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

Judgements

- Establishing the likelihood of a cash outflow from a claim (page 23)
- Leases – determining incremental borrowing rate and lease term where there are options to extend or terminate (page 22)
- The firm's unconditional right to a refund of any surplus in its defined benefit pension scheme (page 24)

Estimates

- Revenue recognition – estimating the costs to complete and the value of unsatisfied/partially satisfied performance obligations (page 20)
- Determining the quantum of a claim (page 23)
- Measuring the defined benefit pension scheme liabilities (page 24)
- Impairment of goodwill (page 22)

Basis of consolidation and business combinations

The group financial statements include the financial statements of Ernst & Young LLP and the entities it controls (its subsidiaries) drawn up to 30 June 2023. Control is achieved when the firm is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All intra-firm balances and transactions have been eliminated in full.

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

Foreign currencies

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

Revenue recognition

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

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

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

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

Notes to the financial statements

at 30 June 2023

2. Accounting policies (continued)

Revenue recognition (continued)

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

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

Significant estimates

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

The effect of making different assessments could, in aggregate, have a material effect on the carrying amounts of unbilled receivables (which are shown in note 14 and 27) and/or payments on account. Revenue recognised in the current year in respect of performance obligations satisfied, or partially satisfied, in previous years amounted to £94m (2022: £89m), and includes revisions to such estimates.

Other operating income

Income earned from providing support services, to EYGS LLP and the network to further the international alignment, enhancement cooperation and cohesion among Member Firms and the recharge of the cost of staff and members to other entities within the EY global network is recognised on the same basis as fee income and included in other operating income.

Taxes

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

The tax expense relates to corporate income taxes arising in the LLP's corporate subsidiaries at a rate of 20.5% (2022: 19%). Current tax liabilities are measured at the amount expected to be paid to the taxation authorities, based on tax rates and laws that are substantively enacted by the balance sheet date.

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

Notes to the financial statements

at 30 June 2023

2. Accounting policies (continued)

Plant, equipment and intangible assets

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

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

Leasehold property improvements	–	The shorter of the lease term and 10 years
Computer equipment	–	2, 3 or 5 years
Furniture and other equipment	–	5 to 7 years
Motor vehicles	–	5 years
Intangible assets	–	1.5 to 12 years

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

Leases

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

Leases are accounted for as a right to use the underlying asset and a lease liability from commencement date (i.e., the date the underlying asset is available for use). Lease payments on leases of less than a year and low value assets are recognised as an expense on a straight line basis over the lease term.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term of between 2 and 25 years.

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

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

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

Notes to the financial statements

at 30 June 2023

2. Accounting policies (continued)

Leases (continued)

Significant judgements

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

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

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

Of the total lease liability at the end of the period, £1m (2022: £7m) relates to those periods covered by termination options that the firm considers it is reasonably certain not to exercise. The undiscounted lease payments for periods covered by options to extend that are not reasonably certain to be taken, and by termination options where it is not reasonably certain these will be allowed to lapse, are £216m (2022: £238m). These payments are not included in the calculation of lease liabilities or right-of-use assets.

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

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

Impairment of non-financial assets

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

Significant estimates

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

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

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

Financial instruments

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

Receivables

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

Notes to the financial statements

at 30 June 2023

2. Accounting policies (continued)

Financial instruments (continued)

Investments

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

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

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

Derivative financial instruments

The firm initially recognises derivative financial instruments in the balance sheet at fair value. Valuations are performed at each balance sheet date with changes in fair value recognised in the income statement. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. The instrument is valued at each balance sheet date using discounted cash flows. The fair value of the instrument is based on estimated future energy consumption and estimated future market energy prices (level 3 in the fair value hierarchy).

Financial liabilities

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

Cash and cash equivalents

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

Provisions and contingencies

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

Significant estimates and judgements

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

Notes to the financial statements

at 30 June 2023

2. Accounting policies (continued)

Provisions and contingencies (continued)

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

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

Pensions and post-retirement healthcare benefits

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

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

Significant estimates and judgements

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

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

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

Members' participations

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

Members' capital

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

Allocation of profits

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

Notes to the financial statements

at 30 June 2023

2. Accounting policies (continued)

Members' participations (continued)

Members' annuities

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

Members' interests

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

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

Charges in respect of the EY network

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

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

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

A number of standards and other pronouncements are in issue that are not yet effective and have not been adopted, including IFRS 17 *Insurance Contracts*, none of which are expected to have a material impact on the financial statements.

3. Fee income

	2023	2022
	<i>£m</i>	<i>£m</i>
Assurance services	953	817
Consulting services	1,046	888
Taxation services	1,120	934
Strategy and transactions services	636	590
	<u>3,755</u>	<u>3,229</u>

Revenue expected to be recognised by the firm in future periods from satisfaction of performance obligations that were unsatisfied or partially unsatisfied at the period end was estimated to be £1,100m (2022: £1,300m) of which £500m (2022: £300m) is expected to be recognised in more than one year.

Notes to the financial statements

at 30 June 2023

4. Staff costs

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

	2023	2022
	<i>£m</i>	<i>£m</i>
Salaries and benefits	1,435	1,230
Social security costs	156	131
Net past service cost (note 20)	56	–
Other pension costs	72	62
	<u>1,719</u>	<u>1,423</u>

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

	2023	2022
	<i>No.</i>	<i>No.</i>
Client service staff	15,740	13,826
Support staff	2,426	2,274
	<u>18,166</u>	<u>16,100</u>

5. Other operating expenses

Fees payable to the LLP's auditor for the audit of the group and LLP financial statements were £515,000 (2022: £439,000). Fees payable to the LLP's auditor and their associates for the audit of subsidiary financial statements were £245,000 (2022: £206,000). Fees paid to the firm's auditors for non-audit services were £24,000 (2022: £28,000). No other services were provided by the auditors.

6. Finance costs

	2023	2022
	<i>£m</i>	<i>£m</i>
Net interest on retirement benefit liabilities (note 20)	–	1
Interest on members' capital	10	3
Interest payable on bank loans and overdraft	2	1
Interest on lease liabilities (note 17)	8	8
	<u>20</u>	<u>13</u>

Notes to the financial statements

at 30 June 2023

7. Members' shares of profits

The average number of members during the period was:

	2023	2022
	<i>No.</i>	<i>No.</i>
Average number of members	866	789

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

Based on these financial statements, the profit share attributable to the member with the largest entitlement to profits, who is a member of the Global Executive, was £4.9m (2022: £4.7m). The Chairman of the UK Board was entitled to profits of £3.6m (2022: £3.5m).

The share of profits to be allocated to key management was £16.5m (2022: £21.6m). Their capital at 30 June 2023 was £4.9m (2022: £5.5m) and amounts due from them were £0.7m (2022: £0.9m). Key management of the firm and the LLP consists of the Board and UK members who serve on the Europe Operating Executive.

8. Intangible assets and goodwill

<i>30 June 2023</i>	<i>Customer relationships & brand £m</i>	<i>Goodwill £m</i>	<i>Software £m</i>	<i>Total £m</i>
Cost:				
At 1 July 2022	35	65	–	100
Acquisition of subsidiaries (note 11)	10	20	–	30
Additions	–	–	5	5
At 30 June 2023	45	85	5	135
Amortisation and impairment:				
At 1 July 2022	9	–	–	9
Charge for the period	3	–	4	7
Impairment	3	–	–	3
At 30 June 2023	15	–	4	19
Net book value:				
At 30 June 2023	30	85	1	116

All software is held by the LLP apart from a residual amount held by subsidiaries.

Notes to the financial statements

at 30 June 2023

8. Intangible assets and goodwill (continued)

<i>1 July 2022</i>	<i>Customer relationships & brand £m</i>	<i>Goodwill £m</i>	<i>Total £m</i>
Cost:			
At 2 July 2021	28	51	79
Acquisition of subsidiaries (note 11)	7	14	21
At 1 July 2022	35	65	100
Amortisation:			
At 2 July 2021	6	–	6
Charge for the period	3	–	3
At 1 July 2022	9	–	9
Net book value:			
At 1 July 2022	26	65	91

There has been a £1m increase in goodwill and a £1m decrease in customer relationships relating to the 2022 acquisitions of Lane 4 Management Group Holdings Limited and Peak EPM Limited. Due to the proximity of the acquisitions to the prior year balance sheet date, the initial accounting was incomplete and so provisional amounts were included. The accounting has been finalised in the current period, resulting in the transfer between customer relationships and goodwill.

Goodwill and intangible assets relate to the firm's accounting for business combinations. The businesses are either maintained as subsidiaries, or the trade and assets are transferred, post-acquisition, to another subsidiary of the firm. Goodwill as at the period end has arisen on the following business combinations:

<i>Acquired business</i>	<i>Year of acquisition</i>	<i>Goodwill £m</i>
Foviance Group Limited	2016	17
EY Professional Services Limited	2020	13
Pythagoras Communications Holdings Limited	2021	16
Whyaye Limited	2023	17
Others	2020-2023	22
		85

Notes to the financial statements

at 30 June 2023

8. Intangible assets and goodwill (continued)

Impairment review

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

	2023 %	2022 %
Year 1 – 5 average annual growth rate	24.1%	28.0%
Terminal growth rate	2.8%	2.5%
Discount rate	9.3% - 22.5%	7.0% – 11.5%

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

In the prior period, reasonably possible changes in the key assumptions used in assessing the goodwill of each CGU would not have resulted in an impairment of the goodwill with the exception of EY Frank Hirth Limited and Pythagoras Limited. Using reasonably possible alternative assumptions to estimate the value in use of Pythagoras Communications Holdings Limited and EY Frank Hirth Limited, based on a discount rate 9% (rather than 7%) and a terminal growth rate of 2% (rather than 2.5%) would have resulted in an impairment of £2m and £3m respectively.

The average annual growth rates have been determined based on conservative assumptions, a reasonably possible change in which is not expected to reduce the value in use calculation below the carrying amount.

9. Plant and equipment

<i>30 June 2023</i>	<i>Short leasehold improvements</i>	<i>Computer equipment</i>	<i>Furniture and other equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cost:					
At 1 July 2022	156	91	24	35	306
Additions	9	7	2	18	36
Disposals	(3)	–	(1)	(10)	(14)
At 30 June 2023	162	98	25	43	328
Depreciation:					
At 1 July 2022	96	67	17	14	194
Charge for the period	14	9	3	8	34
Disposals	(2)	–	(1)	(5)	(8)
At 30 June 2023	108	76	19	17	220
Net book value:					
At 30 June 2023	54	22	6	26	108

All plant and equipment is held by the LLP apart from £1m (2022: £nil) which is held by subsidiaries.

Contracted capital expenditure that has not been provided in the financial statements amounted to £1m (2022: £1m).

Notes to the financial statements

at 30 June 2023

9. Plant and equipment (continued)

<i>1 July 2022</i>	<i>Short leasehold improvements</i>	<i>Computer equipment</i>	<i>Furniture and other equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Cost:					
At 2 July 2021	155	75	21	31	282
Additions	2	20	4	13	39
Disposals	(1)	(4)	(1)	(9)	(15)
At 1 July 2022	156	91	24	35	306
Depreciation:					
At 2 July 2021	84	62	13	15	174
Charge for the period	14	5	4	6	29
Disposals	(2)	–	–	(7)	(9)
At 1 July 2022	96	67	17	14	194
Net book value:					
At 1 July 2022	60	24	7	21	112

10. Right-of-use assets

<i>Properties</i>	<i>2023</i>	<i>2022</i>
	<i>£m</i>	<i>£m</i>
Cost:		
At the beginning of the period	411	397
Additions	–	14
Acquisitions of subsidiaries	–	3
Remeasurements	–	(1)
Disposals	(15)	(2)
Modifications	4	–
At the end of the period	400	411
Depreciation and impairment:		
At the beginning of the period	118	76
Depreciation charge for the period	39	40
Disposals	(6)	(1)
Impairment	1	3
At the end of the period	152	118
Net book value	248	293

All right-of-use assets are held by the LLP apart from £2m (2022: £3m) held by subsidiaries.

Remeasurements principally relate to the reassessment of lease extension and termination options.

Notes to the financial statements

at 30 June 2023

11. Business combinations

2023

On 29 July 2022, EY Professional Services Limited, a 100% subsidiary, acquired the entire share capital of Digital Detox Ventures Limited ("Digital Detox") for consideration of £4m. Digital Detox is a digital engineering consultancy specialising in custom software development for digital applications.

On 11 May 2023, EY Professional Services Limited, acquired the entire share capital of Whyaye Limited ("Whyaye") for consideration of £24m. Whyaye provides IT consulting services for the ServiceNow platform.

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

	<i>Digital Detox</i>	<i>Whyaye</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Intangible assets (note 8)	1	9	10
Trade and other receivables	–	3	3
Cash and cash equivalents	1	–	1
Trade and other payables	(1)	(3)	(4)
Deferred tax liabilities	–	(2)	(2)
	<hr/>	<hr/>	<hr/>
Total identifiable net assets acquired at fair value	1	7	8
Goodwill on acquisition (note 8)	3	17	20
	<hr/>	<hr/>	<hr/>
Cash consideration paid	4	24	28
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<i>Digital Detox</i>	<i>Whyaye</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Analysis of cash flows on acquisition:			
Cash paid	4	24	28
Net cash acquired with subsidiary	(1)	–	(1)
	<hr/>	<hr/>	<hr/>
Net cash outflow	3	24	27
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Fee income and losses generated by the acquirees from the date of acquisition to 30 June 2023 amount to £5m and £3m respectively. The firm's fee income would have been higher by up to £14m if the acquisitions occurred on 2 July 2022 and the profits would have been £1m lower.

The goodwill of £20m comprises the expected synergies arising from the acquisitions together with the value of the assembled workforce which cannot be recognised as a separate asset under IFRS.

Notes to the financial statements

at 30 June 2023

11. Business combinations (continued)

2022

On 16 July 2021, EY Professional Services Limited, a 100% subsidiary, acquired the entire share capital of Lane 4 Management Group Holdings Limited and its subsidiaries (together "Lane 4 group") for consideration of £12m. Lane 4 group specialises in transformation and culture change, leadership and learning and delivering top-down large-scale transformational projects.

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

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

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

	<i>Lane 4 Group £m</i>	<i>Others £m</i>	<i>Total £m</i>
Intangible assets (note 8)	3	4	7
Plant and equipment	1	–	1
Trade and other receivables	4	1	5
Right-of-use assets	3	–	3
Cash and cash equivalents	1	2	3
Lease liabilities	(4)	–	(4)
Trade and other payables	(4)	(1)	(5)
Corporate tax	1	–	1
Deferred tax liabilities	(1)	(1)	(2)
	<hr/>	<hr/>	<hr/>
Total identifiable net assets acquired at fair value	4	5	9
Goodwill on acquisition (note 8)	8	6	14
	<hr/>	<hr/>	<hr/>
Cash consideration paid	12	11	23
	<hr/>	<hr/>	<hr/>
	<i>Lane 4 Group £m</i>	<i>Others £m</i>	<i>Total £m</i>
Analysis of cash flows on acquisition:			
Cash paid	12	11	23
Net cash acquired with subsidiary	(1)	(2)	(3)
	<hr/>	<hr/>	<hr/>
Net cash outflow	11	9	20
	<hr/>	<hr/>	<hr/>

Fee income and losses generated by the acquirees from the date of acquisition to 1 July 2022 amount to £19m and £11m respectively. The firm's fee income would have been higher by up to £5m if the acquisitions occurred on 3 July 2021 and the losses would have been £1m lower.

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

Notes to the financial statements

at 30 June 2023

12. Investments

	2023 £m	2022 £m
<i>Equity investments</i>		
Investment in EY Global Finance Inc	15	15
Investment in EMEIA Fusion LP	3	2
Corporate bond fund	14	15
Total equity investments	<u>32</u>	<u>32</u>

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

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

During the period, the firm recognised fair value movements through other comprehensive income relating to losses on the investment in EMEIA Fusion LP of £2m (2022: £nil) and gains on the investment in EY Global Finance Inc of £nil (2022: £3m).

The corporate bond fund relates to an externally managed fund of bonds issued by UK and overseas companies and governments. During the period, the firm recognised fair value losses through profit of £1m (2022: £2m).

13. Other receivables

	2023 £m	2022 £m
Derivative financial instrument	5	5
Finance lease receivables (note 17)	7	–
Deferred tax	3	–
Employee receivable	4	–
Other non-current receivables	22	–
	<u>41</u>	<u>5</u>

The derivative financial instrument relates to a multiperiod contract to purchase renewable energy at a fixed price.

All other receivables are held by the LLP apart from the finance lease receivables, deferred tax and employee receivables which are held by subsidiaries.

All amounts are non-current assets.

Notes to the financial statements

at 30 June 2023

14. Trade and other receivables

	2023	<i>Restated</i> 2022	<i>Restated</i> 2021
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Unbilled receivables	455	397	344
Client receivables	638	586	429
Amounts due from EY network entities	136	57	49
Derivative financial instrument	2	2	–
Other receivables	44	28	21
Income tax receivable	3	3	4
Deferred tax	–	2	–
Finance lease receivables (note 17)	2	–	–
Prepayments	4	9	7
	<u>1,284</u>	<u>1,084</u>	<u>854</u>

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

	2023	2022
	<i>£m</i>	<i>£m</i>
At beginning of period	8	14
New and additional provisions	7	4
Recoveries	(3)	(8)
Write-offs	(1)	(2)
At end of period	<u>11</u>	<u>8</u>

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

15. Members' interests

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

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

Capital, which is monitored on the basis of total members' interests excluding other reserves, increased to £812m from £756m.

Notes to the financial statements

at 30 June 2023

16. Trade and other payables

	2023	<i>Restated</i> 2022	<i>Restated</i> 2021
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade and other payables	298	329	235
Social security and other taxes	131	96	93
Amounts due to EY network entities	111	151	116
Annuity obligations (note 19)	3	3	3
Income tax payable	–	1	1
Deferred tax	8	7	4
	<u>551</u>	<u>587</u>	<u>452</u>

17. Leases

The firm has entered into non-cancellable commercial property leases with remaining terms of up to 17 years. They include clauses to allow upward revision of the rental charge periodically according to prevailing market rates. Several lease contracts include extension and termination options.

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

	2023	2022
	<i>£m</i>	<i>£m</i>
At the beginning of the period	341	364
Additions	7	17
Acquisition of subsidiaries	–	4
Remeasurements	–	(1)
Modifications	4	–
Accretion of interest	8	8
Payments	(52)	(51)
At the end of the period	<u>308</u>	<u>341</u>
Current	51	48
Non-current	257	293
	<u>308</u>	<u>341</u>

All lease liabilities are held by the LLP apart from £14m (2022: £13m) held by subsidiaries. Of the total lease liabilities at the period end, £8m related to motor vehicles.

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

Notes to the financial statements

at 30 June 2023

17. Leases (continued)

The following amounts have been recognised in profit or loss:

	2023 £m	2022 £m
Depreciation expense on right-of-use assets (note 10)	39	40
Impairment of right-of-use assets (note 10)	1	3
Interest expense on lease liabilities (note 6)	8	8
Low value lease expense	5	3
	<u>53</u>	<u>54</u>
Total amount recognised in profit and loss	<u>53</u>	<u>54</u>

The firm had total cash outflows for leases of £57m (2022: £54m) during the period.

During the period, the firm sublet some of its leased properties with lease terms of up to five years. The carrying amounts of the sublease receivables and the movements during the period were as follows:

	2023 £m	2022 £m
At the beginning of the period	–	–
Additions	10	–
Payments received	(1)	–
	<u>9</u>	<u>–</u>
Net book value	<u>9</u>	<u>–</u>
	<u>9</u>	<u>–</u>
Current (note 14)	2	–
Non-current (note 13)	7	–
	<u>9</u>	<u>–</u>
	<u>9</u>	<u>–</u>

All lease receivables are held by the LLP apart from £1m (2022: nil) held by subsidiaries.

Notes to the financial statements

at 30 June 2023

18. Provisions and contingencies

	<i>Properties</i>	<i>Claims</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
2023			
At the beginning of period	12	49	61
New/increase	13	42	55
Release	(1)	(8)	(9)
Paid	(1)	(37)	(38)
At end of period	<u>23</u>	<u>46</u>	<u>69</u>
	<u>23</u>	<u>46</u>	<u>69</u>
2022			
At the beginning of period	12	69	81
New/increase	–	7	7
Release	–	(16)	(16)
Paid	–	(11)	(11)
At end of period	<u>12</u>	<u>49</u>	<u>61</u>
	<u>12</u>	<u>49</u>	<u>61</u>

Provisions are analysed as follows:

	<i>2022</i>	<i>2023</i>
	<i>£m</i>	<i>£m</i>
Current	30	24
Non-current	39	37
	<u>69</u>	<u>61</u>
	<u>69</u>	<u>61</u>

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

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

All provisions are held in the LLP apart from £3m (2022: nil) held in subsidiaries.

Notes to the financial statements

at 30 June 2023

19. Annuity obligations

	2023	2022
	<i>£m</i>	<i>£m</i>
At beginning of period	26	30
Experience variation	1	(1)
Paid	(4)	(3)
	<u>23</u>	<u>26</u>

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

	2023	2022
	<i>£m</i>	<i>£m</i>
Current (note 16)	3	3
Non-current	20	23
	<u>23</u>	<u>26</u>

The annuity obligation provision represents the present value of the estimated annuity payments to certain former members. The estimate is based on an actuarial valuation as at 30 June 2023. The main assumptions used were inflation rates of 3.3% (2022: 3.3%), discount rates of 4.6% (2022: 2.15%) and post-retirement mortality for current pensioners aged 85 of 6.8 years (2022: 7.0 years).

20. Retirement benefit liabilities

Summary of pension arrangements

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

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

Until 28 February 2023, the defined contribution sections or money purchase sections of the EYRBP ("MPS") had a defined benefit minimum guarantee, the Reference Scheme Test ("RST") underpin, providing certain members with a minimum level of benefits. These sections closed to future accrual on 31 March 2016. Where a member's benefits were provided in accordance with the underpin, their MPS funds were transferred to the FSS which provided the member with their benefits. The estimated value of the firm's obligation over and above the value of the members' own funds was included within the defined benefit obligations. At the end of the prior period, the members' own funds were £368m.

During the current period, the firm amended the benefits within the MPS. The RST underpin was converted to a pure defined benefit arrangement within the FSS along with a transfer to the FSS of an amount of each member's MPS funds. The amount transferred was calculated to ensure that the value of members' benefits is at least of actuarial equivalence before and after the conversion exercise, and the remaining MPS funds were transferred to a separate defined contribution scheme. As a consequence of this plan amendment, the firm has recognised a past service cost of £56m.

Notes to the financial statements

at 30 June 2023

20. Retirement benefit liabilities (continued)

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

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

Period end valuation

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

	2023	2022
	<i>£m</i>	<i>£m</i>
Equities	120	95
Fixed interest stock	631	777
Liability driven investments*	270	219
Hedge funds	26	67
Cash	8	5
	<hr/>	<hr/>
Total fair value of assets	1,055	1,163
Present value of scheme liabilities (FSS)	(1,183)	(1,122)
Present value of scheme liabilities (MPS)	–	(65)
Post-retirement healthcare liability	(7)	(9)
	<hr/>	<hr/>
Retirement benefit liabilities	(135)	(33)
	<hr/> <hr/>	<hr/> <hr/>

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

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

Asset allocation strategy

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

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

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

Notes to the financial statements

at 30 June 2023

20. Retirement benefit liabilities (continued)

Principal actuarial assumptions at the balance sheet date

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

	2023	2022
	%	%
Discount rate	5.25	3.65
Inflation rate – Retail Prices Index (RPI)	3.15	3.10
Inflation rate – Consumer Prices Index (CPI)	2.80	2.70
Post-retirement mortality:	<i>Years</i>	<i>Years</i>
Current pensioners at 65 – male	22	23
Current pensioners at 65 – female	24	24
Future pensioners at 65 – male	23	23
Future pensioners at 65 – female	25	25

Discount rate

The discount rate has been derived using the yields on AA rated sterling corporate bonds at the balance sheet date, which reflect the currency and maturity profile of the expected benefit payments in the FSS which at year end had an average duration of 15 years (2022: 17 – 18 years).

Inflation

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

On 25 November 2020, the Government and UK Statistics Authority's joint consultation response on RPI reform was published. This confirmed their intention to amend the RPI calculation methodology to be aligned to that already in use for the calculation of the CPI (including housing) with effect from 2030. The firm has therefore assumed that CPI will be in line with RPI from 2030 onwards, resulting in the weighted average CPI assumption being 0.35% lower than the RPI assumption (2022: 0.4%).

Mortality

The post-retirement mortality assumptions are based on a bespoke set of base tables ("VitaCurves") which reflect the characteristics of the EYRBP's membership using data collated by Club Vita. Future improvements in longevity are projected in line with the CMI 2022 model (2022: CMI 2021), subject to a long-term improvement rate of 1.25% (2022: 1.25%) per annum for males and 1.00% (2022: 1.00%) per annum for females. The core version of the model has been used which places a 25% weighting on 2022 mortality experience data to allow for the post-pandemic impact on future life expectancies.

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

Notes to the financial statements

at 30 June 2023

20. Retirement benefit liabilities (continued)

Changes in the present value of the defined benefit obligations:

	2023	2022
	<i>£m</i>	<i>£m</i>
At beginning of period	1,196	1,701
Benefits paid	(44)	(50)
Remeasurement gain – effect of changes in financial assumptions	(293)	(487)
Remeasurement (gain)/loss – effect of changes in demographic assumptions	(30)	2
Remeasurement loss – experience adjustments	70	2
Interest cost	46	28
Plan amendment – past service cost	56	–
Plan amendment – transfer of liabilities	189	–
	<u>1,190</u>	<u>1,196</u>

Changes in the fair value of plan assets:

	2023	2022
	<i>£m</i>	<i>£m</i>
At beginning of period	1,163	1,434
Interest income on plan assets	46	27
Contributions by employer	50	40
Benefits paid	(44)	(50)
Remeasurement loss – actual asset return compared to interest income	(347)	(287)
Plan amendment – transfer of assets	189	–
Plan administrative expenses	(2)	(1)
	<u>1,055</u>	<u>1,163</u>

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

Sensitivity analysis

The following table shows the amount by which the present value of the FSS (2022: FSS and MPS) defined benefit obligations would increase as a result of the following changes to the individual principal actuarial assumptions:

£m	2023		2022			
		FSS		FSS	MPS	Total
Decrease to discount rate	0.50%	85	0.50%	92	30	122
Increase to inflation	0.50%	26	0.50%	28	20	48
Increase to life expectancy	1 year	34	1 year	41	5	46

Contributions to the scheme

In accordance with current legislation on the operation of occupational pension arrangements, the firm and the Trustees of the pension fund agreed to a schedule of contributions to clear the pension scheme deficit, following the most recent full triennial actuarial valuation as at 1 October 2022. This sets out minimum contributions of £37m (including administrative expenses of £1-2m) that are to be paid into the FSS each July until 2029. Additional contributions are paid on a sliding scale should partner earnings exceed certain thresholds.

Notes to the financial statements

at 30 June 2023

21. Financial instruments

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

<i>30 June 2023</i>	<i>Amortised cost</i>	<i>Fair value through other comprehensive income</i>	<i>Fair value through profit and loss</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Financial assets			
Investments	–	18	14
Derivative financial instruments	–	–	7
Trade and other receivables	1,308	–	–
Amounts due from members	57	–	–
Cash and cash equivalents	140	–	–
Financial liabilities			
Trade and other payables	411	–	1
Payments on account	197	–	–
Members' capital	225	–	–
<i>1 July 2022</i>	<i>Amortised cost</i>	<i>Fair value through other comprehensive income</i>	<i>Fair value through profit and loss</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Financial assets			
Investments	–	17	15
Derivative financial instruments	–	–	7
Trade and other receivables	1,068	–	–
Amounts due from members	57	–	–
Cash and cash equivalents	386	–	–
Financial liabilities			
Trade and other payables	480	–	3
Payments on account	215	–	–
Members' capital	190	–	–

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

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

Notes to the financial statements

at 30 June 2023

21. Financial instruments (continued)

Liquidity risk

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

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

It is the firm's policy to have in place short-term borrowing facilities that exceed forecast borrowing requirements for the following twelve months. Undrawn borrowing facilities available at 30 June 2023 were uncommitted facilities totalling £35m (2022: £60m) and committed revolving credit facilities totalling £408m (2022: £412m). £40m of the revolving credit facility will expire in January 2024, followed by £38m in March 2024 and £50m in June 2024. The revolving credit facility has a twelve month extension period. These arrangements are considered adequate to finance variations in forecast working capital.

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

Lease liabilities, on an undiscounted basis, are repayable £59m (2022: £48m) within one year, £85m (2022: £85m) between one and two years, £72m (2022: £69m) between three and five years and £147m (2022: £177m) over five years.

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

A charge in favour of EY Securities Limited, in its capacity as trustee for current and future recipients of member retirement annuities payable by the firm, has been created over the corporate bond fund of £13m (2022: £15m). Receipts from these assets are designed to match, so far as possible, payments of certain annuity obligations (note 19).

A letter of credit for £35m (2022: £30m) has been provided to E & Y Trustees Limited by a relationship bank.

Credit risk

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

The firm has established procedures to minimise the risk of default by trade debtors, including detailed checks on credit standing within client acceptance and continuance procedures. Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable on presentation. The majority of the client debtors balance represents invoices issued less than three months before the period end, with £43m (2022: £30m) aged between three and six months and £4m (2022: £22m) aged in excess of six months.

Cash deposits are placed only with the firm's relationship banks or EY Global Finance Inc. No more than £100m (2022: £50m) may be deposited with any one bank. The externally managed corporate bond fund invests in bonds issued by UK and overseas companies and governments, with at least 80% invested in bonds with an investment grade credit rating but may also invest up to 20% in sub investment grade bonds, of which 5% can be unrated bonds. As at 30 June 2023, over 98% of the investments are held in bonds that have a Standard and Poor's investment grade credit rating (2022: 98%). Amounts due from members are expected to be recovered from the current period's profit allocations.

The firm, along with six other member firms of the EY network, has provided a guarantee against a €42m loan agreement and €27m facility agreement owed to EY Global Finance Inc by Skyline HoldCo GmbH, a subsidiary of EMEIA Fusion LP.

Notes to the financial statements

at 30 June 2023

21. Financial instruments (continued)

Interest rate risk

Interest rate risk arises primarily from members' capital, cash and cash equivalents, borrowings, lease liabilities finance lease and other long-term receivables, and, indirectly, from the corporate bond fund. Interest on members' capital is paid at floating market rates. Interest on cash and deposits is effectively earned at a floating rate because of their short-term placement. Interest on lease liabilities and long-term receivables is effectively incurred at fixed rates. The impact of interest rate risk to the firm is not significant.

Foreign currency risk

Although most of the firm's income and expenses are denominated in sterling, foreign currency risk arises from transactions denominated in other currencies, particularly the US dollar and Euro. Derivatives, such as forward contracts to purchase US dollars, are sometimes used to hedge major commitments such as professional indemnity premiums. Balances in foreign currency bank accounts are held to facilitate cash management and, from time to time, to provide a hedge of future foreign currency expenditure. The impact of foreign currency risk to the firm is not significant.

Electricity price risk

Derivative financial instruments relate to a multiperiod contract to purchase renewable energy at a fixed price. The instrument is valued at each balance sheet date using discounted cash flows. The fair value of the contract is based on estimated future energy consumption and estimated future market energy prices. The impact of electricity price risk to the firm is not significant.

22. Related parties

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

During the period, EY Europe LLP charged the firm a management fee of £10k (2022: £10k) which remained payable at the period end.

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

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

<i>Subsidiary undertaking</i>	<i>Registered number</i>
Foviance Group Limited	04331949
Rolls House Holdings Limited	01985589
Ernst & Young Limited	05458987
Ernst & Young Services (UK) Limited	05319775
EY Incentives Limited	09369059
Pythagoras Communications Holdings Limited	13184504
Pythagoras Communications Limited	03000842
Lane 4 Management Group Holdings Limited	07451448
Lane 4 Management Group Limited	02776199
Seaton Partners Limited	06186693
Peak EPM Limited	08949264
Digital Detox Ventures Limited	10334143
Digital Detox Ltd	05278798
Whyaye Ltd.	12020479

LLP income statement

for the period ended 30 June 2023

Registered number OC300001

	<i>Notes</i>	2023 £m	2022 £m
Fee income	23	3,630	3,121
Expenses billed to clients		(654)	(494)
Net revenue		<u>2,976</u>	<u>2,627</u>
Other operating income		240	194
People costs		(1,739)	(1,440)
Depreciation and amortisation		(76)	(66)
Other operating expenses		(823)	(671)
Operating profit		<u>578</u>	<u>644</u>
Dividend income from subsidiaries		5	108
Finance revenue		4	1
Finance costs	25	(20)	(13)
Profit for the financial period		<u><u>567</u></u>	<u><u>740</u></u>

LLP statement of comprehensive income

for the period ended 30 June 2023

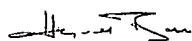
	<i>Note</i>	2023 £m	2022 £m
Profit for the financial period		567	740
<i>Items that will not be reclassified to profit or loss:</i>			
Net remeasurement (losses)/gains on retirement benefit liabilities	20	(94)	196
Fair value (losses)/gains on equity investments		(2)	3
Total comprehensive income for the financial period		<u><u>471</u></u>	<u><u>939</u></u>

LLP balance sheet

at 30 June 2023

Registered number OC300001

		<i>Restated</i>	<i>Restated</i>
	<i>30 June</i>	<i>1 July</i>	<i>2 July</i>
	<i>2023</i>	<i>2022</i>	<i>2021</i>
	<i>Notes</i>	<i>£m</i>	<i>£m</i>
Assets			
Non-current assets			
Intangible assets	8	1	–
Plant and equipment	9	107	112
Right-of-use assets	29	246	290
Investments	12	32	32
Investments in subsidiaries	26	25	25
Other receivables	13	34	5
		445	464
Current assets			
Trade and other receivables	27	1,254	1,032
Amounts due from members		57	57
Cash and cash equivalents		108	344
		1,419	1,433
		1,864	1,897
Total assets			
Equity and liabilities			
Current liabilities			
Trade and other payables	28	496	463
Payments on account		190	209
Interest-bearing loans and borrowings		–	–
Lease liabilities	29	44	43
Provisions	18	30	24
Members' capital		6	7
		766	746
Non-current liabilities			
Lease liabilities	29	249	285
Provisions	18	36	37
Annuity obligations	19	20	23
Retirement benefit liabilities	20	135	33
		440	378
Members' capital		219	183
		1,425	1,307
		1,864	1,897
Equity: Members' other interests			
		439	590
Total equity and liabilities			
		1,864	1,897



Hywel Ball
Designated Member
Date: 26 October 2023



Lynn Rattigan
Designated Member
Date: 26 October 2023

LLP statement of cash flows

for the period ended 30 June 2023

Registered number OC300001

	Notes	2023 £m	<i>Restated</i> 2022 £m
Profit before taxation		567	740
Adjustment for:			
Net finance costs		16	12
Dividend income from subsidiaries		(5)	(108)
Depreciation and amortisation		76	66
Profit on disposal of plant and equipment		–	(2)
Retirement benefit contributions net of plan administration expenses	20	(48)	(39)
Net past service cost on retirement benefit obligations	20	56	–
Loss on corporate bonds fund		1	2
Gain on derivative financial instrument		–	(7)
Increase in trade and other receivables		(242)	(212)
Increase in trade and other payables		14	189
Increase/(decrease) in provisions and annuity obligations		2	(24)
Net cash inflows from operating activities		<u>437</u>	<u>617</u>
Purchase of plant and equipment		(39)	(38)
Proceeds from sale of plant and equipment		6	8
(Acquisition)/disposal of investments		(3)	2
Dividends received		5	6
Interest received		4	1
Net cash outflows from investing activities		<u>(27)</u>	<u>(21)</u>
Payments to and on behalf of members		(632)	(527)
Members' capital introduced		45	29
Repayment of capital to retiring members		(10)	(12)
Repayments of loan		–	(50)
Payment of lease liabilities including interest	29	(47)	(48)
Other interest paid		(2)	(1)
Net cash outflows from financing activities		<u>(646)</u>	<u>(609)</u>
Net decrease in cash and cash equivalents		(236)	(13)
Cash and cash equivalents at beginning of period		344	357
Cash and cash equivalents at end of period		<u><u>108</u></u>	<u><u>344</u></u>

LLP statement of changes in members' interests

at 30 June 2023

	<i>Members' other interests</i>			<i>Total equity</i>	<i>Members' capital</i>	<i>Amounts due to/(from) members</i>	<i>Total members' interests</i>
	<i>Profits to be divided</i>	<i>Other reserve</i>	<i>Fair value reserves</i>				
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
At 2 July 2021	443	(272)	1	172	173	(54)	291
Total comprehensive income	740	196	3	939	–	3	942
Transfers between reserves	(62)	62	–	–	–	–	–
Profit allocations	(521)	–	–	(521)	–	521	–
Payments to and on behalf of members	–	–	–	–	–	(527)	(527)
Capital introduced	–	–	–	–	29	–	29
Capital repaid	–	–	–	–	(12)	–	(12)
At 1 July 2022	600	(14)	4	590	190	(57)	723
Total comprehensive income	567	(94)	(2)	471	–	10	481
Transfers between reserves	16	(16)	–	–	–	–	–
Profit allocations	(622)	–	–	(622)	–	622	–
Payments to and on behalf of members	–	–	–	–	–	(632)	(632)
Capital introduced	–	–	–	–	45	–	45
Capital repaid	–	–	–	–	(10)	–	(10)
At 30 June 2023	561	(124)	2	439	225	(57)	607

Notes to LLP financial statements

at 30 June 2023

23. Fee income

	2023	2022
	<i>£m</i>	<i>£m</i>
Assurance services	952	813
Consulting services	965	821
Taxation services	1,078	898
Strategy and transactions services	635	589
	<u>3,630</u>	<u>3,121</u>
	<u><u>3,630</u></u>	<u><u>3,121</u></u>

24. Operating expenses

No staff were directly employed by Ernst & Young LLP during the current or preceding period but the entity manages and controls staff provided by its services company Ernst & Young Services Limited. The costs of these individuals are recharged to the LLP and included within people costs shown on the Income Statement.

25. Finance costs

	2023	2022
	<i>£m</i>	<i>£m</i>
Net interest on retirement benefit liabilities (note 20)	1	1
Interest on members' capital	10	3
Interest payable on bank loans and overdraft	2	1
Interest on lease liabilities (note 17)	8	8
	<u>20</u>	<u>13</u>
	<u><u>20</u></u>	<u><u>13</u></u>

Notes to LLP financial statements

at 30 June 2023

26. Investment in subsidiaries

	2023	2022
	<i>£m</i>	<i>£m</i>
Cost	25	25

The Limited Liability Partnership has the following subsidiaries:

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Nature of business</i>
Ernst & Young Limited	UK	Taxation and resource service provider
Ernst & Young Resources (CI) Limited	Jersey	Staff and resource service provider
Ernst & Young Services Limited *	UK	Staff and resource service provider
Ernst & Young Services (UK) Limited	UK	Staff and resource service provider
Rolls House Holdings Limited	UK	Holding entity of Ernst & Young Services Limited
Foviance Group Limited	UK	Holding entity of EY Seren Limited
EY Seren Limited *	UK	Consultancy service provider
EY Professional Services Limited *	UK	Consultancy service provider
AgilityWorks India Private Limited *	India	Consultancy service provider
EY Private Client Services Limited *	UK	Personal taxation service provider
Pythagoras Communications Holdings Limited *	UK	Holding entity of Pythagoras Communications Limited
Pythagoras Communications Limited *	UK	Non-trading entity
Lane 4 Management Group Holding Limited *	UK	Holding entity of Lane 4 Management Group Limited
Lane 4 Management Group Limited *	UK	Non-trading entity
Seaton Partners Limited *	UK	Non-trading entity
Peak EPM Limited *	UK	Non-trading entity
Peak EPM US Inc *	United States	Non-trading entity
Peak EPM Canada Inc *	Canada	Non-trading entity
Digital Detox Ventures Limited*	UK	Holding company of Digital Detox Limited
Digital Detox Limited*	UK	Non-trading entity
Whyaye Limited*	UK	Non-trading entity
EY Incentives Limited *	UK	Consultancy tax services provider
EY Foundation	UK	Charity
Ernst & Whinney Limited	UK	Dormant
E & Y Trustees Limited	UK	Dormant
Ernst & Young International Limited	UK	Dormant
Garrard House Executor Trustees Co Limited *	UK	Dormant
EYGS UK Participation Limited	UK	Dormant
EY Securities Limited *	UK	Dormant
EY Corporate Secretaries Limited	UK	Dormant
Creative Sharepoint Limited *	UK	Dormant
Pointbeyond Limited *	UK	Dormant
New Street Nominees Limited	Guernsey	Dormant
Ernst & Young Property (Jersey) Limited	Jersey	Dormant

* Interest held indirectly.

All subsidiaries are wholly owned, except where noted.

Notes to LLP financial statements

at 30 June 2023

26. Investment in subsidiaries (continued)

The registered addresses of the subsidiaries are:

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

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

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

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

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

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

27. Trade and other receivables

	2023	<i>Restated</i> 2022	<i>Restated</i> 2021
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Unbilled receivables	438	385	338
Client receivables	623	562	420
Amounts due from EY network entities	129	48	45
Amounts owed by subsidiaries	28	7	–
Derivative financial instrument	2	2	–
Finance lease receivables (note 17)	2	–	–
Prepayments	4	8	6
Other receivables	28	20	9
	<u>1,254</u>	<u>1,032</u>	<u>818</u>

Client receivables are shown net of an allowance for expected credit losses, movements on which are analysed in note 14.

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

28. Trade and other payables

	2023	<i>Restated</i> 2022	<i>Restated</i> 2021
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Trade and other payables	257	261	189
Social security and other taxes	81	54	58
Amounts due to EY network entities	107	132	110
Amounts owed to subsidiaries	48	13	62
Annuity obligations (note 19)	3	3	3
	<u>496</u>	<u>463</u>	<u>422</u>

29. Leases

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

Notes to LLP financial statements

at 30 June 2023

30. Cash flows from operations

Non-cash movements in the prior period included the offset of £102m of dividends receivable from subsidiaries against amounts owed to subsidiaries.

31. Related parties

Purchases made from subsidiaries was £1,658m (2022: £1,373m). Of this, £1,650m (2022: £1,363m) relates to the recharge of employee salaries and related costs to the LLP from subsidiary entities. Other information about transactions with subsidiaries is shown in notes 27, 28 and 30.

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

Included within the current period amounts owed to subsidiary undertakings is a loan payable of £9m. Included within the prior period amounts owed from subsidiary undertakings is a loan receivable of £30m. These amounts carry interest at the rate of 1% above the Bank of England base rate. All other balances due to or from subsidiaries are non-interest bearing.

32. Financial instruments

Details of the LLP's financial instruments are substantially the same as those disclosed for the LLP and its subsidiaries in notes 15 and 21.

33. Post balance sheet event

After the period end, a decision was taken to transfer all employees of Ernst & Young Services Limited to Ernst & Young LLP with effect from 1 February 2024. There is no impact on the group accounts.

Energy and carbon report

This report is provided to comply with the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022, drawing from the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and the UK government's policy on Streamlined Energy and Carbon Reporting. The information below includes the activities of the members of the LLP as per the Members' Annual Report and Financial Statements.

Governance

The Board has strategic oversight of the firm's approach to climate risk and sustainability.

The climate-related risks and opportunities are overseen by the Board through the Environmental Sustainability Committee (the "ESC"). The ESC is a sub-committee of the UK Country Committee ("UKCC"). The UKCC has the delegated authority of the Board in respect of certain specified matters.

The UKCC's purpose is to manage the operations of the firm with respect to matters that have, or may have, a UK country-specific impact, including legal, regulatory, and reputational matters and financial resilience. As part of this remit, the UKCC oversees the firm's implementation of its Net Zero Strategy via the ESC. Performance against the firm's carbon emission targets is managed via service line carbon budgets and is tracked monthly by all service lines and reviewed quarterly by the ESC. Monitoring performance at both levels allows specific action plans to be put in place where appropriate. Each service line has net zero champions who provide tailored support for each service line where necessary. Emissions limits/key performance indicators are included in the scorecard of each Region and each service line scorecard within each Region.

In addition to the work undertaken by the ESC, management also engaged specialists from its Climate Change and Sustainability Services ("CCaSS") team this year to identify and assess – through scenarios – other climate-related risks and opportunities relevant for the firm. The results of the climate scenario assessment, details of which are set out later in this report, were reviewed by stakeholders, and these disclosures have been approved by the Board.

Risk management

The environment in which the firm operates creates a broad range of risks. Effective management of these risks is critical to safeguarding the firm and EY network overall. The firm has a robust Enterprise Risk Management (ERM) programme to identify, assess, mitigate, and monitor the risks it faces.

The firm maintains a risk profile covering material risks that could impact the firm's strategic ambitions. This profile includes a risk that the firm does not meet its ESG commitments, which include climate-related targets. This risk, the related controls and issues are tracked through the firm's risk governance, with ultimate oversight by the Board.

The firm utilises specialist skills from its CCaSS team to support its understanding of physical and transition risks, as well as relevant opportunities. Their assessment builds upon the results of the existing work for the EY network that has identified and quantitatively modelled five separate climate risks and two opportunities applicable to the EY network globally. The analysis was published as the first EY Global TCFD report in 2023.

The CCaSS team conducted quantitative scenario analysis for the firm, utilising methodologies and findings from the analysis prepared for the EY network under two key climate scenarios to identify and assess climate-related risks and opportunities for the firm. The same scenarios and time horizons were used; however, adjustments were made to ensure applicability to the firm's business and context, including data and assumptions relevant to the UK.

An EY network climate change risk assessment tool was used for physical risk assessment, and custom-built models were utilised for transition risks and opportunities. Climate-related risks and opportunities were identified at the firm level. Financial values derived were assessed against revenue projections. Existing measures that the firm uses to mitigate and manage relevant risks, as well as to leverage opportunities presented by the climate transition, were identified and considered. These are presented in the Strategy section below.

Results of the scenario assessment and individual climate-related risk drivers will be further considered as necessary by the owners of relevant principal risks to inform their assessment and management thereof.

Energy and carbon report

Strategy

Five climate-related risks and two opportunities were found to be relevant for the firm. These were quantitatively modelled under two climate scenarios at short (2025), medium (2030) and long-term (2050) time horizons. These time horizons have been chosen to best understand the exposure of the firm to physical and transition climate risks. The medium horizon was selected so the assessment could inform the update of the strategy, while the long-term horizon will be useful for longer-term decisions including office locations.

The Business-As-Usual ("BAU") scenario, representing a high-emission trajectory, predicts an average temperature rise of 3.5–4.4°C above pre-industrial levels by 2100. The analysis also includes a Low Carbon Economy ("LCE") scenario, which anticipates a temperature increase of less than 2°C by the end of the century. These scenarios align with the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) Synthesis Report, 2023 Shared Socio-economic Pathway scenarios of SSP5-RCP8.5 and SSP1-RCP2.6 respectively. The BAU and LCE scenarios are selected to understand the range of potential financial impacts, and how various socio-economic factors will influence risks and opportunities in the future. BAU in particular is relevant to understand the extent of physical climate risks if no climate action is taken, whereas LCE can demonstrate how the firm is affected by the global efforts to decarbonise the economy.

The table below describes the impacts of climate risks and opportunities identified and assessed through scenario analysis, along with existing measures to manage these risks and to leverage the opportunities. Assessment of the identified unmitigated impacts across the three time horizons and key conclusions from the scenario assessment are provided further in this section.

Energy and carbon report

Strategy (continued)

Climate risks and opportunities identified and relevant response:

ID	Climate risk or opportunity	Description of potential business impact	Potential financial impact investigated	Response
R1	Physical risk: chronic	Business interruption resulting from direct damage to assets caused by chronic, longer-term shifts in climate patterns	Impact on revenue resulting from direct damage to assets	Business interruption caused by chronic and acute physical climate events is reduced by the firm's disaster recovery planning processes. Comprehensive business continuity, contingency and operational resilience, covering all service lines and functions, is also carried out. Remote working has been fully integrated into the business ensuring a lack of access to offices does not interrupt service provision.
R2	Physical risk: acute	Business interruption resulting from direct damage to assets caused by acute climate events	Impact on revenue resulting from direct damage to assets	
R3	Transition risk: reputation	Increased stakeholder concern due to reputational damage	Impact on revenue caused by reduced client attraction	The firm is on track to meet EY Net Zero commitments by 2025. As such, reputational and talent related risks are limited in the short term. Involvement in corporate responsibility through EY Ripples volunteering programs and working with cutting-edge, high-profile clients within the sustainability industry strengthens the firm's reputation.
R4	Transition risk: reputation	Difficulty attracting and retaining talent due to reputational damage	Recruitment costs and employee remuneration	
R5	Transition risk: policy and legal	Not meeting regulatory expectations with regards to providing assurance over climate-related disclosures	Potential loss of revenue and reputational damage	The risk that the firm does not meet stakeholder expectations when providing assurance over climate-related disclosures is monitored by the Assurance and Audit service line leadership teams.
O1	Opportunity: services	Increased demand for sustainability-focused services	Increased revenue from market size and market share growth	The EY NextWave strategy focuses on delivering long-term value to all stakeholders. As part of this strategy, the firm is actively growing its sustainability-related services and has been recognised as a market leader in this area among professional service organisations. The EY network's carbon ambition has garnered positive feedback from clients, and the firm and the EY network is making effective progress in its implementation.
O2	Opportunity: market	Enhanced brand value due to climate leadership position attained	Increased revenue due to positive climate-related reputational impacts	

Energy and carbon report

Strategy (continued)

Assessment of unmitigated impact of identified risks and full benefit of potential opportunities under climate scenarios considered:

ID	Description of potential business impact	Potential financial impact investigated	Potential financial impact					
			2025		2030		2050	
			BAU	LCE	BAU	LCE	BAU	LCE
R1	Business interruption resulting from direct damage to assets caused by chronic, longer-term shifts in climate patterns	Impact on revenue resulting from direct damage to assets	Low	Low	Low	Low	Low	Very low
R2	Business interruption resulting from direct damage to assets caused by acute climate events	Impact on revenue resulting from direct damage to assets	Low	Low	Low	Very low	Very low	Very low
R3	Increased stakeholder concern due to reputational damage	Impact on revenue caused by reduced client attraction	High	High	High	High	High	High
R4	Difficulty attracting and retaining talent due to reputational damage	Recruitment costs and employee remuneration	Low	Low	Low	Low	Low	Medium
R5	Not meeting regulatory expectations with regards to providing assurance over climate-related disclosures	Regulatory fines	Very low	Very low	Very low	Very low	Very low	Very low
O1	Increased demand for sustainability-focused services	Increased revenue from market size and market share growth	Medium	High	Medium	High	Medium	High
O2	Enhanced brand value due to climate leadership position attained	Increased revenue due to positive climate-related reputational impacts	High	High	High	High	High	High

Range of impact: **Very low:** below 0.1% of projected revenue; **Low:** from 0.1% to 2% of the projected revenue; **Medium:** from 2 to 5%; **High:** from 5 to 10%; **Very high:** over 10% projected revenue

Energy and carbon report

Strategy (continued)

The financial impact caused by physical climate risks has been assessed as either low or very low in the short, medium and long term time horizons.

Reputational risk, arising from not fulfilling the firm's climate commitments, which would potentially impact the firm's revenue, has been assessed as high. This risk is expected to be mitigated through the activities both the firm and the EY network are undertaking to meet these commitments. Moreover, if the firm and the EY network successfully maintain their reputation as a climate leader, commensurate opportunities are likely to continue positively affecting future growth.

The results of the analysis under the BAU and LCE scenarios also demonstrate that significant opportunities are expected to be created due to increased potential demand for climate-related and sustainability services within the firm. This is reflected in the firm's strategy that encompasses climate leadership, active support for climate transition through public advocacy, engagement and client services, and active growth in sustainability services. These strategic priorities are reflected in financial planning, including investment in people and technology.

The firm's existing strategic and operational response to the climate risks assessed confirms its business model and strategy are resilient under both BAU and LCE scenarios.

Metrics, targets and net zero strategy

EY's global carbon ambition is to be net zero in 2025 and will achieve this by reducing absolute emissions by 40% across Scopes 1, 2 and 3 by FY25 (vs. FY19 baseline), consistent with a 1.5°C science-based target approved by the Science Based Targets initiative ("SBTi").

To support this objective, the LLP has a UK Net Zero Strategy comprising six key actions, and monitors progress against each of these (including emissions reduction targets determined by the global organisation) using key performance metrics. The firm has achieved the following results during FY23:

1. Reduce air travel emissions by 36% by FY25 (vs. FY19 baseline):

Scope 3 Air Travel Emissions (tCO ₂ e)					
FY19 (baseline)	Metric	FY25	FY24	FY23	FY22
69,286	Target (limit) vs. baseline	44,343 (-36%)	48,500 (-30%)	52,658 (-24%)	56,815 (-18%)
	Actual vs. baseline	Data due 2025	Data due 2024	25,472 (-63%)	8,209 (-88%)

These emissions targets (limits) are integrated into performance scorecards alongside issuing 'carbon budgets' monthly reports, providing our teams with key data insights to enhance emissions monitoring, management and accountability.

Energy and carbon report

Metrics, targets and net zero strategy (continued)

2. Reduce electricity consumption and ensure 100% of energy is backed by renewables certification

FY23 energy consumption fell by 21% vs. FY19 (baseline year). See 'Energy efficiency actions taken' section for activities relating to energy reduction. See 'Renewable energy' section for FY23 certification performance.

3. Ensure the UK Virtual Power Purchase Agreement delivers certified renewable energy to cover EY's consumption and helps to further decarbonise the UK energy sector

Since October 2021, EY's 10-year fixed price UK Virtual Power Purchase Agreement ("VPPA") has been delivering triple bottom-line benefits, including zero carbon electricity certification for all of EY's UK needs, significant cost avoidance from energy market price volatility, wider decarbonisation of the national grid by providing additional renewable power to the sector, and natural capital gains from on-site biodiversity enhancements at a solar farm facility in Norfolk. In FY23, the VPPA generated 14,407 MWh of zero carbon power for the firm's operations, backed by OFGEM REGOs.

4. Deploy internal tools to enable our people to calculate and reduce CO₂e from delivering their work
During FY23, EY launched a range of tools and guides to help our people make more sustainable choices when delivering their work:

- An emissions estimator - to identify and reduce potential CO₂e from future activities
- A sustainable travel approval tool – to compare emissions across travel modes and influence behaviour
- A meetings and events guide - to drive more sustainable choices
- A sustainable air travel playbook - to encourage employees to make less carbon-intensive choices

5. Ensure 75% of EY's suppliers (by spend) set Science Based Targets by no later than FY25

EY is accelerating wider uptake of science-based targets by supporting suppliers in adopting their own SBTs by 2025. This includes dedicated training delivered through the Global Supply Chain Services and UK Procurement teams. The firm is on track to ensure at least 75% of suppliers (by spend) adopt SBTs by 2025.

Energy and carbon report

Metrics, targets and net zero strategy (continued)

6. Reduce the environmental impact of internal operations by delivering best-practice initiatives

The firm has worked closely with suppliers and service partners during FY23 to tackle waste, resource circularity and biodiversity issues, including:

- Establishing honeybee colonies in four UK sites and supporting the creation of wild pollinator foraging environments
- Engaging a social enterprise to reuse over 20,000 redundant IT peripherals per year, avoiding 3 tonnes of WEEE waste annually
- Our mobile phone fleet now uses 100% recyclable, plastic-free packaging and will be free of plastic SIMs by 2024

For additional information, see our latest UK Impact Report.

EY also measures levels of employee engagement and satisfaction with actions it is taking to address environmental issues. Conducted on a bi-annual basis, latest survey results (July 2023) returned the following responses:

Global People Survey: sustainability-related responses (UK only)	Unfavourable	Neutral	Favourable	Total
I feel good about the extent to which EY is reducing our impact on the environment	7.5%	31.5%	61%	100%
I have the information and resources I need to understand EY's environmental sustainability ambition	12%	25%	63%	100%
EY enables me to take part in activities that make a positive impact on our wider communities and the environment	9%	19%	72%	100%

GHG emissions and energy data

The firm has used the financial control approach to identify the GHG emissions / energy consumption for which we have responsibility, 100% of which occurred in the UK and offshore area:

UK LLP Energy consumption (kWh)	2023	2022	2021	2020
Gas combustion	2,819,980	2,701,159	3,492,860	3,680,100
Purchased electricity	16,745,845	16,131,841	13,363,343	19,065,885
Transport fuel*	2,981,054	1,802,178	326,588	5,482,909
Total energy consumption	22,546,879	20,635,178	17,182,791	28,228,894

*Fuel used in personal cars on business use for which the firm reimburses its employees following claims for business mileage.

Energy and carbon report

GHG emissions and energy data (continued)

UK LLP Greenhouse gas emissions (tCO ₂ e)		2023	2022	2021	2020	Global net zero ambition
Scope 1	Natural gas - consumption	0	0	0	1	Yes
	Biogas - consumption	1	1	1	1	Yes
	Diesel for generators - consumption	0	0	0	0	Yes
	Fugitive emissions (refrigerants)	465	456	972	677	No
	Scope 1 total	466	457	973	679	
Scope 2	Electricity - generation	3,468	3,120	2,837	4,445	Yes
	Scope 2 (location-based) total	3,468	3,120	2,837	4,445	
	Scope 2 (market-based) total	0	0	302	2,499	
Scope 3	Purchased goods & services - paper consumption	14	9	8	374	No
	Capital goods	Not quantified				No
	WTT - Natural gas	0	0	0	0	Yes
	WTT - Biogas	353	338	438	460	Yes
	WTT - Diesel for generators	0	0	0	0	Yes
	Electricity - transmission and distribution	300	285	251	382	Yes
	Upstream transportation and distribution	Not quantified				Yes
	WTT - Electricity generation	769	746	739	613	Yes
	WTT - Electricity transmission & distribution	66	68	65	53	Yes
	Working from home (WFH) incremental energy	7,883	7,604	11,993	Not quantified	Yes
	Waste generated (solid waste treatment)	11	8	5	36	Yes
	Water supply	7	Not quantified			No
	Water treatment	8	Not quantified			No
	Business travel - air	46,514	21,660	106	41,961	Yes
	WTT - business travel - air	5,720	2,372	12	4,594	Yes
	Business travel - rail	329	145	4	731	Yes
	WTT - business travel - rail	83	37	1	140	Yes
	Business travel - road	1,004	671	94	1,767	Yes
	WTT - business travel - road	261	174	25	450	Yes
	Employee commuting	Not quantified				Yes
	Upstream leased assets	Not quantified				No
	Downstream transportation and distribution	Not relevant				No
	Processing of sold products	Not relevant				No
	Use of sold products	Not relevant				No
	End-of-life treatment of sold products	Not relevant				No
	Downstream leased assets	Not relevant				No
	Franchises	Not relevant				No
Investments	Not relevant				No	
Scope 3 total	63,322	34,117	13,741	51,561		
Total gross location-based GHG emissions (Scopes 1+2+3)		67,256	37,694	17,551	56,684	
Total gross market-based GHG emissions (Scopes 1+2+3)		63,788	34,574	15,016	54,739	

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

Energy and carbon report

GHG emissions and energy data (continued)

Whilst the table 'UK LLP Greenhouse gas emissions (tCO₂e)' identifies the emission types included in the EY Global carbon ambition, the air travel data it shows represents a wider reporting boundary than the data shown in the table 'Scope 3 Air Travel Emissions (tCO₂e)' on page 57. The latter is used by EY Global to determine the UK firm's contribution to achieving EY's science-based target.

The firm uses a financial emissions intensity metric as business travel represents most of the carbon footprint. In addition, the firm uses an energy emissions intensity metric to indicate the energy efficiency of the real estate:

Carbon intensity ratios (tCO ₂ e)		2023	2022	2021	2020
Total Gross Scopes 1 + 2 + 3 per £m revenue	Location-based	17.91	11.67	6.37	22.08
	Market-based	16.99	10.71	5.45	21.32
Total Gross Scopes 1 + 2 per m ² floorspace	Location-based	0.037	0.031	0.035	0.048
	Market-based	0.004	0.004	0.012	0.030

Financial emissions intensity rose in FY23 due to a significant increase in business travel compared to the previous year, following a return to pre-pandemic operating conditions. Energy emissions intensity rose slightly – this was due to an increase in total energy consumption associated with higher levels of building occupancy following the pandemic. The proportion of energy backed by renewables certification remained at 100%.

Methodology

The data above was generated using the methodology set out in WRI / WBSCD The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition), March 2004, including separate guidance on Scope 2 and Scope 3 emissions. Emissions conversion factors used are in accordance with 'UK Government Conversion Factors for Company Reporting (Year: 2023, Expiry: 10/06/2024, Version 1.1) - DESNZ / DEFRA'. Further details are available via the firm's website and latest UK Impact Report.

For offices where primary energy consumption data was not available (due to delays in receiving billing data from energy suppliers or landlords), estimates were derived based on energy consumption for that same site in the previous month, or calculated using a 'kWh per m²' metric in comparable EY locations.

Renewable energy

When reporting location-based emissions related to electricity consumption, the appropriate years' DESNZ / DEFRA' UK grid average emissions conversion factor was applied to all electricity purchased, including those from renewable sources, non-renewable sources and those where the source is unconfirmed e.g. some landlord-supplies. Market-based emissions are calculated using a zero emissions factor for all certified renewable tariff electricity, plus non-renewable tariff electricity offset using OFGEM REGOs generated through the VPPA. For any other electricity consumption the appropriate country-specific (i.e. GB) 'residual mix' conversion factor was used.

Through a combination of Renewable Energy Guarantees of Origin (REGO) certificates received via the firm's VPPA, renewable energy supplied by landlords and the firm's continued purchase of renewable biogas, 100% of the firm's energy consumption in FY23 was backed by renewables certification.

Data assurance

The GHG emissions data provided in this report was audited on a limited assurance basis by DNV Business Assurance USA Inc. The verification process followed the International Standard on Assurance Engagements (ISAE) 3000 – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' (revised).

In addition, the firm's CCaSS team (who are not directly involved in preparing the emissions data in this Energy and Carbon Report) also conducted a review of all Scopes 1, 2 and 3 emissions measured and reported by the firm. The review did not identify any errors or exclusions that would materially affect the accuracy and completeness of the data.

Energy and carbon report

For full details on the scope of the reviews and work-steps undertaken during the assurance processes, please visit the firm's website.

Energy efficiency actions taken

Previous investments in energy efficiency measures at the firm's largest UK office (London Bridge) continue to deliver significant savings, with electricity consumption at this site falling by 2.64m kWh (22%) in FY23 vs. the FY19 baseline year. Further savings of circa 47,000 kWh per year are expected at this location by switching off all decorative perimeter lighting. Energy consumption is monitored closely and remains focused on running site engineering systems at maximum efficiency. To support this, the firm engaged a Building Management System specialist in FY23 to survey BMS controls, with recommendations for improvements due for evaluation in FY24.

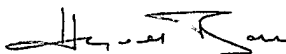
Past preparations for introducing zonal occupancy planning (i.e. consolidating working floors to minimise cooling / heating demands during periods of particularly low building occupancy) at London Bridge have been postponed. This is mainly due to the relocation of EYGS LLP employees to the site. The resulting increase in building occupation combined with a general rise in the number of people returning to the workplace post-Covid, is likely to limit further significant energy reduction opportunities here in the future.

Across the wider estate, the firm continues to monitor energy use via utility bill reviews and landlord pass-through charges. Where the firm's offices relocated to new sites during FY23 the related energy systems and processes at those locations complied with the firm's minimum technical standards for engineering services (which dictate energy efficiency standards and alignment with best practice). However the scope for new energy saving initiatives in these locations is limited. During FY23 the firm conducted energy surveys at selected regional sites, but these did not identify any viable initiatives as central building plant is not owned or operated by the firm. Factors including short remaining lease periods and reduced business case viability also restrict potential investment opportunities.

It is expected that as part of the firm's compliance with ESOS, any further energy saving initiatives requiring capital investment will be identified as part of the Phase 3 submission.

Additional voluntary reporting activities

The firm voluntarily reports a full carbon emissions inventory on an annual basis. This is available via our website and latest UK Impact Report.



Hywel Ball
Chairman
26 October 2023

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