

# **EY–Seren Limited**

## **Annual Reports and Financial Statements**

3 July 2020

*Company number 04151569*

**Directors**

E Brien	(Appointed: 1 February 2020, resigned 27 May 2021)
L G Buchanan	(Appointed: 1 November 2020)
D J Gittleson	
S J Lambert	(Resigned: 15 June 2020)
P B Neufeld	
S Orr	(Appointed: 1 February 2020)
V C Salter	(Resigned: 21 January 2021)
R A Sedley	(Resigned: 25 May 2021)
P J Sparkes	(Appointed: 1 February 2020)
M Von der Geest	

**Auditor**

BDO LLP  
55 Baker Street  
London W1U 7EU

**Registered Office**

1 More London Place  
London  
SE1 2AF

## Strategic report

The directors present their strategic report for the 53 week period from 29 June 2019 to 3 July 2020 (the comparative period being the 52 week period from 30 June 2018 to 28 June 2019).

### Principal activity and review of business

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

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

	2020	2019
Fee income	£26,556k	£15,904k
Debtor days	38 days	58 days

The fee income and profit for the period increased significantly, due to significant multi-year contract wins. The company has also improved synergies with its parent entity, Ernst & Young LLP (“EY LLP”), leading to more opportunities and greater client coverage. The company’s core business is in an active market with COVID-19 increasing the need for digital interaction between businesses and their clients. The last quarter of the period achieved the strongest revenue throughout the period as a result of this market demand.

The prior period debtor days, based on client debtors, were adversely impacted by a system change which resulted in a delay in the ability to invoice clients. There has been a focus on reducing this in the current period with improved control over invoicing and collection. As a result, the company has experienced a significant decrease in debtor days.

### Future developments

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

The company moved to 1 More London Place, London, SE1 2AF on 2 January 2021.

### Principal risks and uncertainties

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

The policies for managing the risks relating to cash flows and financial instruments are set out in note 14.

### Governance

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

Consequently, governance and related decision-making generally operates at the EY LLP level, consistent with EY LLP’s Service Lines and functions (including the Talent function), and EY LLP maintains/fosters business relationships with suppliers, customers and others, which benefit both EY LLP and its direct and indirect subsidiaries, including the company. Therefore, EY LLP’s governance process applies, as relevant, to the company, to ensure that decisions are made at the appropriate level in the organisation (given, for example, EY LLP is the principal contracting entity with third parties), and that transactions are carried out by the appropriate legal entity. Such governance processes also ensure that related decisions and engagement with certain groups of stakeholders (e.g. the company’s employees and its suppliers) are conducted by EY LLP on the company’s behalf, or in conjunction with the company, as appropriate. The company is generally cognisant of all of the above, as the majority of its directors are

## Strategic report

also members of EY LLP, and receive, in various capacities, regular reports and updates on EY LLP's activities and performance.

### Section 172 Statement

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

During the period ending 3 July 2020, the company's directors acted in a way that they considered, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, have had regard to the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 when making decisions. In addition, the company's directors also had regard to other factors and matters that they considered relevant to decisions made. When required, the company's directors held board meetings to make key decisions relating to the company, where such matters and factors were considered, as relevant. This therefore took place when the company made the principal decision to move (including whether and how to move) from its office at 55-57 Rivington Street to the registered office of EY LLP at 1 More London Place.

On behalf of the Board



L G Buchanan

Director

Date: 28 June 2021

## Directors' report

The directors present their report and financial statements for the 53 week period from 29 June 2019 to 3 July 2020 (the comparative period being the 52 week period from 30 June 2018 to 28 June 2019).

### Results and dividends

The profit for the period after taxation amounted to £1,128k (2019: £808k).

No dividends have been paid or proposed during the period (2019: £nil).

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

### Financial instruments

The directors are responsible for setting objectives and policies in relation to financial instruments, details of which can be found in note 14.

### Directors

The directors who held office during the period ended 3 July 2020 and the period up until approval of the financial statements are listed on page 1.

### Going concern

The company actively manages its operating cash flows to ensure that all repayment and funding needs are met. Looking ahead, the economic outlook is uncertain given the current recession.

The directors have considered the impact of COVID-19 on the company. EY-Seren Limited is closely monitoring the development of COVID-19 and has performed a going concern assessment under multiple scenarios, including a detailed review of the cash flow forecast until June 2022. The directors believe EY-Seren Limited has sufficient cash flows and is well placed to manage the risks and uncertainties arising as a result of COVID-19. Accordingly, the directors of EY-Seren Limited have concluded that the company has adequate resources to continue in operational existence for at least twelve months from the date of signing the financial statements and so continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Auditor

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

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

The company has dispensed with the obligation to appoint auditors annually. BDO LLP has expressed its willingness to continue in office.

On behalf of the Board



L G Buchanan  
Director

Date: 28 June 2021

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the company financial statements in accordance with International Financial Reporting Standards in conformity with the Companies Act 2006 ("IFRS"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the company;
- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting 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 company's financial position and financial performance;
- state whether the company financial statements have been prepared in accordance with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Independent auditor's report**

### **to the shareholder of EY-Seren Limited**

#### **Opinion**

We have audited the financial statements of EY-Seren Limited ("the Company") for the 12 month period ended 3 July 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") in conformity with the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 3 July 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRS in conformity with the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

#### **Other information**

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

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

We have nothing to report in this regard.

## **Independent auditor's report**

### **to the shareholder of EY-Seren Limited**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

#### **Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of Directors**

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



## Independent auditor's report

### to the shareholder of EY-Seren Limited

#### Use of our report

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

DocuSigned by:  
*Diane Campbell*  
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Diane Campbell (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
Date: 28 June 2021

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

## Statement of comprehensive income

for the period ended 3 July 2020

	<i>Notes</i>	<i>2020</i> <i>(53 weeks)</i> <i>£k</i>	<i>2019</i> <i>(52 weeks)</i> <i>£k</i>
<b>Fee income</b>		26,556	15,904
Expenses billed to clients		(4,319)	(1,188)
<b>Net revenue</b>		<u>22,237</u>	<u>14,716</u>
Other operating income		456	–
Operating expenses	3	(21,202)	(13,689)
<b>Operating profit</b>		<u>1,491</u>	<u>1,027</u>
Finance costs		(33)	–
<b>Profit before taxation</b>		<u>1,458</u>	<u>1,027</u>
Tax charge	6	(330)	(219)
<b>Profit and total comprehensive income for the period</b>		<u><u>1,128</u></u>	<u><u>808</u></u>

## Statement of changes in equity

for the period ended 3 July 2020

	<i>Share capital</i> <i>£k</i>	<i>Retained earnings</i> <i>£k</i>	<i>Total</i> <i>£k</i>
At 29 June 2018	1	3,578	3,579
Profit and total comprehensive income for the period	–	808	808
At 28 June 2019	<u>1</u>	<u>4,386</u>	<u>4,387</u>
Profit and total comprehensive income for the period	–	1,128	1,128
At 3 July 2020	<u><u>1</u></u>	<u><u>5,514</u></u>	<u><u>5,515</u></u>

**Balance sheet**

at 3 July 2020

Company number 04151569

The notes on pages 12 to 25 form part of these financial statements.

	<i>Notes</i>	<i>3 July 2020 £k</i>	<i>28 June 2019 £k</i>
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	7	464	771
Right-of-use asset	8	1,468	–
		<u>1,932</u>	<u>771</u>
<b>Current assets</b>			
Trade and other receivables	9	3,294	4,607
Cash and bank balances		6,876	3,076
		<u>10,170</u>	<u>7,683</u>
<b>Total assets</b>		<u><u>12,102</u></u>	<u><u>8,454</u></u>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	4,310	3,850
Corporation tax payable		284	142
Lease liability	12	347	–
Provisions	11	83	–
		<u>5,024</u>	<u>3,992</u>
<b>Non-current liabilities</b>			
Lease liability	12	1,492	–
Preference shares	13	–	–
Provisions	11	66	66
Deferred tax	6	5	9
		<u>1,563</u>	<u>75</u>
<b>Total liabilities</b>		<u><u>6,587</u></u>	<u><u>4,067</u></u>
<b>Equity</b>			
Share capital	13	1	1
Retained earnings		5,514	4,386
<b>Total equity</b>		<u><u>5,515</u></u>	<u><u>4,387</u></u>
<b>Total equity and liabilities</b>		<u><u>12,102</u></u>	<u><u>8,454</u></u>

The financial statements of EY-Seren Limited for the period ended 3 July 2020 were authorised for issue by the board of directors and signed on their behalf by:



L G Buchanan

Director

Date: 28 June 2021

The notes on pages 12 to 25 form part of these financial statements.

## Statement of cash flows

for the period ended 3 July 2020

	2020	2019
	<i>£k</i>	<i>£k</i>
<b>Operating activities</b>		
Profit before tax	1,458	1,027
Adjusted for:		
Depreciation	716	284
Impairment	374	–
Net foreign exchange losses	(17)	(12)
Net finance costs	33	–
Decrease in trade and other receivables	1,313	1,409
Increase/(decrease) in trade and other payables	460	(1,383)
Increase in provisions	83	–
	<u>4,420</u>	<u>1,325</u>
Corporation tax paid	(192)	(50)
<b>Net cash inflows from operating activities</b>	<u>4,228</u>	<u>1,275</u>
<b>Investing activities</b>		
Purchase of plant and equipment	(79)	(46)
<b>Net cash outflows from investing activities</b>	<u>(79)</u>	<u>(46)</u>
<b>Financing activities</b>		
Payment of lease liability	(366)	–
<b>Net cash outflows from financing activities</b>	<u>(366)</u>	<u>–</u>
<b>Increase in cash and cash equivalents</b>	3,783	1,229
Net foreign exchange differences	17	12
<b>Cash and cash equivalents at beginning of period</b>	3,076	1,835
<b>Cash and cash equivalents at end of period</b>	<u><u>6,876</u></u>	<u><u>3,076</u></u>

The notes on pages 12 to 25 form part of these financial statements.

# Notes to the financial statements

at 3 July 2020

## 1. Corporate information

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

## 2. Accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards in conformity with the Companies Act 2006 (“IFRS”). The principal accounting policies are summarised below and have been applied consistently throughout the period and the preceding period unless otherwise stated.

The financial statements have been prepared on the accrual basis of accounting using a number of measurement bases, as set out in the accounting policies below. The financial statements have been prepared on a going concern basis. The directors have concluded that it is appropriate to adopt the going concern basis having considered multiple forecasts, covering a period exceeding a year from the date of signing the financial statements. The forecasts consider the impact of COVID-19 in a range of severe but plausible scenarios including varying declines in revenue and collection rates. The impact on EY-Seren’s cash flows has then been considered and the directors of the company have concluded that there is no material uncertainty relating to going concern and that it is appropriate to present the financial statements of the company on a going concern basis. Further details of this assessment can be found within the Directors’ report.

The financial statements have been drawn up for the 53 week period from 29 June 2019 to 3 July 2020 (the comparative period being the 52 week period from 30 June 2018 to 28 June 2019).

### 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 to the financial statements, the most significant being:

- revenue recognition (note 2); and
- recoverability of trade and other receivables (note 9).

### Foreign currencies

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

### Revenue recognition

Fee income represents the amounts arising from the supply of advisory services which fall within the continuing ordinary activities of the company. Revenue is recognised when control of services are transferred to the client at an amount that reflects the consideration to which the company expects to be entitled in exchange for those services.

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

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

## Notes to the financial statements

at 3 July 2020

### 2. Accounting policies (continued)

#### Revenue recognition (continued)

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

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

#### **Significant estimates**

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

The effect of making different assessments could, in aggregate, have a material effect on the carrying amounts of unbilled receivables and/or payments on account which are shown in notes 9 and 10 respectively. Revenue to be recognised by the company from satisfaction of performance obligations that were unsatisfied or partially unsatisfied at the period end was estimated to be £16,913k (2019: £2,505k.)

#### Other operating income

Income earned from the recharge of rental expenses to Ernst & Young LLP, the ultimate parent entity, is recognised on the same basis as fee income and included in other operating income.

#### 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). In the comparative period, lease payments were 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 and lease payments made at or before the commencement date. The right-of-use asset is depreciated on a straight-line basis over the lease term.

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

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.

The transition approach and the impact of implementing the new accounting policy for leases are explained on pages 15 and 16.

## Notes to the financial statements

at 3 July 2020

### 2. Accounting policies (continued)

#### Pensions

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

#### Income taxes

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

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

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

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

#### Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged so as to write off the cost of assets to their residual value over their expected useful lives using the straight line method. The expected useful lives are as follows:

Leasehold property improvements	–	The lesser of lease period and 12 years
Computer equipment	–	3 years
Furniture and other equipment	–	3 years

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

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

#### Dividends

A liability is recognised to pay dividends to the shareholders when the dividend is appropriately authorised and no longer at the discretion of the company.

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

#### Financial instruments

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

#### Trade and other receivables

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

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

## Notes to the financial statements

at 3 July 2020

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### *Trade and other payables*

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

##### **Cash and cash equivalents**

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

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

##### **Provisions**

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

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

##### **IFRS 16 Leases**

The company adopted IFRS 16 Leases for the first time in these financial statements using the modified retrospective approach of adoption with a date of initial application of 29 June 2019. This approach does not require restatement of prior years.

Upon adoption of IFRS 16, the company recognised a right-of-use asset and lease liability for those leases previously classified as operating leases, except for short-term leases including those with lease terms that ended within the current period. The lease liability was recognised based on the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. Since the company recognised the right-of-use asset at the amount based on the lease liability there was no impact to equity.

The standard provides specific practical expedients of which the company has elected to rely on its assessment of whether leases are onerous immediately before the date of initial application.



## Notes to the financial statements

at 3 July 2020

### 2. Accounting policies (continued)

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

The effect of adopting IFRS 16 as at 29 June 2019 is an increase as follows:

	<i>£k</i>
<b>Assets</b>	
Right-of-use asset	2,172
<b>Total assets</b>	<u>2,172</u>
<b>Liabilities</b>	
Lease liability	2,172
<b>Total liabilities</b>	<u><u>2,172</u></u>

The operating lease commitments at 28 June 2019, summarising future minimum rentals payable under non-cancellable operating leases, based on rental charges applicable at that date, were as follows:

	<i>£k</i>
Future minimum lease payments payable:	
Within one year	433
In the second to fifth years inclusive	1,399
After five years	524
	<u>2,356</u>

The difference of £184k between the operating lease commitments as of 28 June 2019 and the lease liability at 29 June 2019 is as a result of the effect of short term lease payments not recognised of £67k and the effect of discounting the lease liability using the incremental borrowing rate as at the date of initial application of 1.65%.

#### Standards that are not yet effective

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

## Notes to the financial statements

at 3 July 2020

### 3. Operating expenses

	2020	2019
	<i>£k</i>	<i>£k</i>
Staff costs (note 4)	10,318	7,428
Other people costs	5,646	2,709
Other operating charges	4,128	2,730
Depreciation	716	284
Impairment (note 8)	374	–
Operating lease expense	–	530
Net foreign exchange loss	20	8
	<u>21,202</u>	<u>13,689</u>

In addition to directly employed staff, the company also manages and controls a number of temporary workers. The cost of these individuals is included in other people costs.

Fees payable to the company's auditor for the audit of the financial statements of the company were £27k (2019: £22k). No other services were provided by the auditor.

### 4. Staff costs

The aggregate employment costs of staff were:

	2020	2019
	<i>£k</i>	<i>£k</i>
Salaries and benefits	8,946	6,442
Social security costs	930	611
Defined contribution pension costs	442	375
	<u>10,318</u>	<u>7,428</u>

The average number of staff (including directors) during the period was 111 (2019: 72).

### 5. Directors' remuneration

The directors of EY-Seren Limited received £nil (2019: £nil) remuneration for their services as directors or their services in connection with the management of the company. With the exception of two directors, all directors are partners of the ultimate parent entity, Ernst & Young LLP.

## Notes to the financial statements

at 3 July 2020

### 6. Tax

#### a) Tax on profit

	2020	2019
	<i>£k</i>	<i>£k</i>
<i>Current tax:</i>		
UK corporation tax arising on profits in the period	335	234
Adjustments in respect of prior periods	(1)	3
Total current income tax	<u>334</u>	<u>237</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(4)	(17)
Effects of change in tax rate	1	(1)
Adjustments in respect of previous periods	(1)	–
Total deferred tax	<u>(4)</u>	<u>(18)</u>
Total tax charge in the income statement	<u><u>330</u></u>	<u><u>219</u></u>

#### b) Reconciliation of total tax charge

The tax assessed on the profit for the period is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	<i>£k</i>	<i>£k</i>
Profit before tax	1,458	1,027
Profit multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	277	195
<i>Effects of:</i>		
Expenses not deductible for tax purpose	54	22
Adjustments in respect of previous periods	(2)	3
Effect of change in tax rate	1	(1)
Total tax charge reported in the income statement	<u><u>330</u></u>	<u><u>219</u></u>

## Notes to the financial statements

at 3 July 2020

### 6. Tax (continued)

#### c) Deferred tax

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

	2020 £k	2019 £k
Accelerated capital allowances	5	9
	<u>5</u>	<u>9</u>
	<u><u>5</u></u>	<u><u>9</u></u>

The deferred tax (credit)/charge included in the income statement is as follows:

	2020 £k	2019 £k
Decrease in accelerated capital allowances	(4)	(22)
Deferred pension contributions	–	4
	<u>(4)</u>	<u>(18)</u>
	<u><u>(4)</u></u>	<u><u>(18)</u></u>

## Notes to the financial statements

at 3 July 2020

### 7. Plant and equipment

<i>3 July 2020</i>	<i>Short leasehold improvements £k</i>	<i>Computer equipment £k</i>	<i>Furniture and other equipment £k</i>	<i>Total £k</i>
Cost:				
At 28 June 2019	1,182	546	217	1,945
Additions	–	–	79	79
At 3 July 2020	1,182	546	296	2,024
Depreciation:				
At 28 June 2019	568	432	174	1,174
Charge for the period	267	76	43	386
At 3 July 2020	835	508	217	1,560
Net book value: At 3 July 2020	347	38	79	464
<i>28 June 2019</i>				
Cost:				
At 29 June 2018	1,182	502	215	1,899
Additions	–	44	2	46
At 28 June 2019	1,182	546	217	1,945
Depreciation:				
At 29 June 2018	468	321	101	890
Charge for the period	100	111	73	284
At 28 June 2019	568	432	174	1,174
Net book value: At 28 June 2019	614	114	43	771
Net book value: At 29 June 2018	714	181	114	1,009

## Notes to the financial statements

at 3 July 2020

### 8. Right-of-use asset

3 July 2020

	<i>Properties</i> £k
Cost:	
At 29 June 2019 and at 3 July 2020	2,172
Depreciation and impairment	
At 29 June 2019	–
Depreciation charge for the period	330
Impairment	374
At 3 July 2020	704
Net book value:	
At 3 July 2020	1,468

In making the right-of-use asset impairment, a number of judgements have been made around the timing and rents receivable through a sublease. A change to the assumptions could result in a significant change to the impairment provision.

### 9. Trade and other receivables

	2020 £k	2019 £k
Unbilled receivables	516	2,045
Client debtors	2,721	2,487
Other receivables	4	38
Prepayments	53	37
	<u>3,294</u>	<u>4,607</u>

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

	2020 £k	2019 £k
At beginning of period	325	–
Reversal of provision	(325)	–
New and additional provisions	50	325
At end of period	<u>50</u>	<u>325</u>

## Notes to the financial statements

at 3 July 2020

### 10. Trade and other payables

	2020	2019
	<i>£k</i>	<i>£k</i>
Trade and other payables	206	914
Social security and other taxes	585	277
Payments on account	803	331
Other accruals	1,097	426
Amounts due to ultimate parent entity	854	1,138
Amount due to parent entity	764	764
	<u>4,309</u>	<u>3,850</u>

Payments on account comprise amounts billed in advance of services being provided.

All payments on account at the end of the preceding financial period were recognised as revenue in the current period.

### 11. Provisions

	2020	2019
	<i>£k</i>	<i>£k</i>
At the beginning of the period	66	66
New	83	–
	<u>149</u>	<u>66</u>
At the end of the period	<u>149</u>	<u>66</u>
Current	83	–
Non-current	66	66
	<u>149</u>	<u>66</u>

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

## Notes to the financial statements

at 3 July 2020

### 12. Leases

The company has a non-cancellable commercial property lease with a remaining term of 6 years (2019: 7 years). The carrying amounts of the lease liability and the movements during the period were as follows:

	<i>£k</i>
At the beginning of the period	2,172
Accretion of interest	33
Payments	(366)
	<u>1,839</u>
At the end of the period	<u>1,839</u>
Current	347
Non current	1,492
	<u>1,839</u>

The related right-of-use asset is disclosed in note 8. The company had total cash outflows for leases of £366k during the period. The following amounts have been recognised in profit or loss:

	<i>£k</i>
Depreciation of right-of-use asset (note 8)	330
Impairment of right-of-use asset (note 8)	374
Interest expense on lease liability	33
	<u>737</u>

### 13. Share capital

	2020	2020	2019	2019
	<i>No.</i>	<i>£k</i>	<i>No.</i>	<i>£k</i>
<i>Authorised, issued and fully paid</i>				
“A” Preference shares treated as liability of £0.01 each	33,000	–	33,000	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
“B” Ordinary shares treated as equity of £0.01 each	59,500	1	59,500	1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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

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



## Notes to the financial statements

at 3 July 2020

### 14. Financial instruments

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

#### Liquidity risk

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

The lease liability is repayable £350k within one year, £699k between one and three years, £699k between three and five years and £175k over five years.

#### Credit risk

Credit risk arises primarily from client debtors and unbilled receivables. The company trades with only a small number of parties, who are not considered to represent a significant credit risk.

Receivable balances are monitored and collected on an ongoing basis and as a result exposure to bad debts is not significant. Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable on presentation.

Of the company's amounts due from clients and parent undertakings, the following are past due but not impaired:

	0-30 days £k	31-60 days £k	61-90 days £k	> 90 days £k	Total £k
<b>at 3 July 2020</b>					
Client debtors	2,228	121	157	215	2,721
Other receivables	–	–	–	4	4
	<u>2,228</u>	<u>121</u>	<u>157</u>	<u>219</u>	<u>2,725</u>
<b>at 28 June 2019</b>					
Client debtors	734	694	260	799	2,487
Other receivables	10	–	–	28	38
	<u>744</u>	<u>694</u>	<u>260</u>	<u>827</u>	<u>2,525</u>

#### Foreign currency risk

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

## Notes to the financial statements

at 3 July 2020

### 15. Related parties

Transactions and balances with related parties were as follows:

	<i>Income earned from related parties £k</i>	<i>Purchases from related parties £k</i>	<i>Amounts owed by / (to) related parties £k</i>
<b>2020</b>			
Ernst & Young LLP (ultimate parent)			(854)
Foviance Group Limited (parent)	–	–	(764)
	=====	=====	=====
	<i>Income earned from related parties £</i>	<i>Purchases from related parties £</i>	<i>Amounts owed by / (to) related parties £</i>
<b>2019</b>			
Ernst & Young LLP (ultimate parent)	9,816	3,952	(1,138)
Foviance Group Limited (parent)	–	–	(764)
	=====	=====	=====

Key management personnel comprises the directors of the company, directors of its immediate parent entity Foviance Group Limited and the Board of its ultimate parent entity Ernst & Young LLP. Compensation paid to key management personnel was £nil (2019: £nil). There were no other transactions with key management personnel.

All balances with group undertakings are non-interest bearing.

Except as disclosed above and elsewhere in the financial statements, there are no other related party transactions.

### 16. Ultimate controlling party

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