EY–Seren Limited

Annual Reports and Financial Statements

2 July 2021

Company number 04151569

Registered No. 04151569

Directors

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

Auditor
BDO LLP
55 Baker Street
London W1U 7EU

Registered Office
1 More London Place
London
SE1 2AF

Strategic report

The directors present their strategic report for the 52 week period from 4 July 2020 to 2 July 2021 (the comparative period being the 53 week period from 29 June 2019 to 3 July 2020).

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:

	2021	*2020*
Fee income	£32,206k	£26,556k
Debtor days	16 days	38 days

The fee income for the period increased significantly despite the financial period consisting of 52 weeks compared to 53 weeks in the prior period. The increase was due to significant contract wins achieved by the company. 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 debtor days have fallen compared to the prior period due to a focus on improving control over invoicing and collections.

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 15.

Section 172 Statement

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

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

Strategic report

Section 172 Statement (continued)

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 2 July 2021, 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 decisions to focus on the health and well-being of its employees and supporting them through the pandemic by measures such as hybrid working, which in turn would help the company to address the need to ensure operational capability to service future growth.

On behalf of the Board

P B Neufeld Director

Date: 8 April 2022

Directors' report

The directors present their report and financial statements for the 52 week period from 4 July 2020 to 2 July 2021 (the comparative period being the 53 week period from 29 June 2019 to 3 July 2020).

Results and dividends

The profit for the period after taxation amounted to £3,248k (2020: £1,128k).

No dividends have been paid during the period (2020: £nil). After the period end, the directors declared and recommended the payment of dividends totaling £6,500k (2020: £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 15.

Directors

The directors who held office during the period ended 2 July 2021 and the period up until approval of the financial statements are listed on page 1.

Going concern

EY Seren Limited pro-actively manages its operating cash flows to ensure that all repayment and funding needs are met. EY Seren Limited is managing both operational and business risks well despite the ongoing uncertain economic impacts caused by COVID-19 and the ongoing situation in Ukraine. The directors are closely monitoring the ongoing impact of COVID-19 and the events in Ukraine. They have performed a going concern assessment and sensitivity analysis under multiple scenarios, including a decline in revenue and collection days, and have performed a detailed review of the cash flow forecast until April 2023. They 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 and the events in Ukraine.

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

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

P B Neufeld Director

Date: 8 April 2022

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 on the financial statements

In our opinion:

- The financial statements give a true and fair view of the state of affairs of EY Seren Limited ("the Company") as at 2 July 2021 and of the Company's profit for the period then ended;
- the Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company for the period ended 2 July 2021 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report

to the shareholder of EY-Seren Limited

Other Companies Act 2006 reporting

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

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

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

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

- adequate accounting records have not been kept by the Company, 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 Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that would be contrary to applicable laws and regulations, including fraud. These included, but were not limited to, compliance with the Companies Act 2006 and international accounting standards. We also identified other applicable laws and regulations, and considered the extent to which non-compliance might have a material effect on the financial statements.

Independent auditor's report

to the shareholder of EY-Seren Limited

Our procedures included, but were not limited to:

- Enquiries of key management personnel and those charged with governance;
- Obtaining an understanding of the control environment for monitoring compliance with laws and regulations and to deter and detect fraud and whether the lack of such controls would increase the susceptibility of the financial statements to fraud; and
- Agreement of the financial statement disclosures to underlying supporting documentation.

We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and concluded these are linked with the key performance indicators, specifically revenue and profits after tax. We determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates.

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. We focused on specific areas of the financial statements where material misstatement due to fraud was deemed to be a risk.

Our procedures in this area included, but were not limited to, the following:

- Considering the adequacy of controls surrounding possible fraud areas, including changes to supplier and payroll details and assessing the adequacy of segregation of duties;
- Establishing if there have been any transactions outside the normal course of business and assessing the rationale of any such transactions;
- Examining the business rationale for a sample of journals posted during the period that exhibit characteristics of audit interest and corroborating these to underlying supporting documentation;
- Testing the appropriateness of a sample of journals made during the course of the financial statements preparation;
- Making enquiries of those charged with governance and of senior management to determine whether they are aware of any suspected, alleged, or known frauds; and
- Challenging and assessing the appropriateness of the estimates and judgements made, by management in preparing the financial statements having regard to supporting evidence and historical outcomes. The key estimates and judgements were identified as revenue recognition and recoverability of trade and other receivables.

We assessed the fraud risk in revenue recognition and our procedures to address this risk included, but were not limited to:

- Testing of the operating effectiveness of relevant controls in the revenue cycle in relation to unbilled receivables and revenue recognition; and
- Additional procedures on a sample of open engagements at period end.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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
55 Baker Street
London
W1U 7EU

Date: 08 April 2022

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

Statement of comprehensive income

for the period ended 2 July 2021

	Notes	2021 (52 weeks) £k	2020 (53 weeks) £k
Fee income		32,206	26,556
Expenses billed to clients		(3,818)	(4,319)
Net revenue		28,388	22,237
Other operating income		–	456
Operating expenses	3	(24,272)	(21,202)
Operating profit		4,116	1,491
Finance income		7	–
Finance costs		(31)	(33)
Profit before taxation		4,092	1,458
Tax charge	6	(844)	(330)
Profit and total comprehensive income for the period		3,248	1,128

Statement of changes in equity

for the period ended 2 July 2021

	Share capital £k	Retained earnings £k	Total £k
At 28 June 2019	1	4,386	4,387
Profit and total comprehensive income for the period	–	1,128	1,128
At 3 July 2020	1	5,514	5,515
Profit and total comprehensive income for the period	–	3,248	3,248
At 2 July 2021	1	8,762	8,763

The notes on pages 13 to 25 form part of these financial statements.

Balance sheet

at 2 July 2021

Company number *04151569*

	Notes	*2 July 2021 £k*	*3 July 2020 £k*
Assets			
Non-current assets			
Plant and equipment	7	120	464
Right-of-use asset	8	933	1,468
Loan receivable	9	4,507	–
Deferred tax	6	6	–
		5,566	1,932
Current assets			
Trade and other receivables	10	2,536	3,294
Cash and bank balances		10,909	6,876
		13,445	10,170
Total assets		19,011	12,102
Equity and liabilities			
Current liabilities			
Trade and other payables	11	7,898	4,310
Lease liability	13	347	347
Provisions	12	20	83
Corporation tax payable		571	284
		8,836	5,024
Non-current liabilities			
Lease liability	13	1,170	1,492
Provisions	12	242	66
Deferred tax	6	–	5
Preference shares	14	–	–
		1,412	1,563
Total liabilities		10,248	6,587
Equity			
Share capital	14	1	1
Retained earnings		8,762	5,514
Total equity		8,763	5,515
Total equity and liabilities		19,011	12,102

The financial statements of EY-Seren Limited for the period ended 2 July 2021 were authorised for issue by the board of directors and signed on their behalf by:

P B Neufeld Director
Date: 8 April 2022

The notes on pages 13 to 25 form part of these financial statements.

Statement of cash flows

for the period ended 2 July 2021

	2021 £k	2020 £k
Operating activities		
Profit before tax	4,092	1,458
Adjusted for:		
Depreciation	711	716
Impairment	205	374
Net foreign exchange gains/(losses)	109	(17)
Net finance costs	24	33
Decrease in trade and other receivables	758	1,313
Increase in trade and other payables	3,584	460
Increase in provisions	113	83
	9,596	4,420
Corporation tax paid	(568)	(192)
Net cash inflows from operating activities	9,028	4,228
Investing activities		
Purchase of plant and equipment	(37)	(79)
Issue of loan	(4,500)	–
Net cash outflows from investing activities	(4,537)	(79)
Financing activities		
Payment of lease liability	(349)	(366)
Net cash outflows from financing activities	(349)	(366)
Increase in cash and cash equivalents	4,142	3,783
Net foreign exchange differences	(109)	17
Cash and cash equivalents at beginning of period	6,876	3,076
Cash and cash equivalents at end of period	10,909	6,876

The notes on pages 13 to 25 form part of these financial statements.

Notes to the financial statements

at 2 July 2021

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 and models, covering a 12months period from the date of signing the financial statements. The forecasts consider the impact of COVID-19 and the current situation in Ukraine 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 with a 25% reduction in revenue and an additional increase in collection rates 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 52 week period from 4 July 2020 to 2 July 2021 (the comparative period being the 53 week period from 29 June 2019 to 3 July 2020).

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

- Leases - determining incremental borrowing rate and lease term where there are options to extend or terminate (page 15)

Estimates

- Revenue recognition – estimating the costs to complete and the value of unsatisfied/partially satisfied performance obligations (page 14)
- Recoverability of trade and other receivables (note 10).

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.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Revenue recognition (continued)

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 probably 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.

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 10 and 11 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 £53k (2020: £16,913k.)

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).

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.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Leases (continued)

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.

Significant judgements

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

Of the total lease liability at the end of the period, £1,517k (2020: £1,839k) relates to reasonably certain periods, that is those covered by extension options that the company considers it is reasonably certain to exercise, and termination options that it considers it is reasonably certain not to exercise.

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

The effect of a change in the judgements made could have a material effect on the carrying value of the lease liability and right-of-use asset which are shown in notes 8 and 13 respectively.

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.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

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.

Impairment of non-financial assets

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

Dividends

A liability is recognised to pay dividends to the 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.

Loans and receivables

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

Trade and other payables

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

Cash and cash equivalents

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

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

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Provisions

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

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

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

Standards that are not yet effective

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

Notes to the financial statements

at 2 July 2021

3. Operating expenses

	2021	*2020*
	£k	*£k*
Staff costs (note 4)	11,319	10,318
Other people costs	5,204	5,646
Other operating charges	6,693	4,128
Depreciation	711	716
Impairment (note 8)	205	374
Net foreign exchange loss	140	20
	24,272	21,202

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 £47k (2020: £27k). No other services were provided by the auditor.

4. Staff costs

The aggregate employment costs of staff were:

	2021	*2020*
	£k	*£k*
Salaries and benefits	9,891	8,946
Social security costs	969	930
Defined contribution pension costs	459	442
	11,319	10,318

The average number of staff (excluding directors) during the period was 116 (2020: 111).

5. Directors' remuneration

The directors of EY-Seren Limited received £nil (2020: £nil) remuneration for their services as directors or their services in connection with the management of the company. All directors are partners of the ultimate parent entity, Ernst & Young LLP.

Notes to the financial statements

at 2 July 2021

6. Tax

a) Tax on profit

	2021 £k	2020 £k
Current tax:		
UK corporation tax arising on profits in the period	840	335
Adjustments in respect of prior periods	15	(1)
Total current income tax	855	334
Deferred tax:		
Origination and reversal of temporary differences	4	(4)
Effects of change in tax rate	–	1
Adjustments in respect of previous periods	(15)	(1)
Total deferred tax	(11)	(4)
Total tax charge in the income statement	844	330

b) Reconciliation of total tax charge

The tax assessed on the profit for the period is higher than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £k	2020 £k
Profit before tax	4,092	1,458
Profit multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	778	277
Effects of:		
Expenses not deductible for tax purpose	66	54
Adjustments in respect of previous periods	–	(2)
Effect of change in tax rate	–	1
Total tax charge reported in the income statement	844	330

c) Deferred tax

The deferred tax (asset)/liability included in the balance sheet is as follows:

	2021 £k	2020 £k
Accelerated capital allowances	9	5
Deferred pension contributions	(15)	–
	(6)	5

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

	2021 £k	2020 £k
Increase/(decrease) in accelerated capital allowances	4	(4)
Deferred pension contributions	(15)	–
	(11)	(4)

Notes to the financial statements

at 2 July 2021

7. Plant and equipment

2 July 2021	*Short leasehold improvements*	*Computer equipment*	*Furniture and other equipment*	*Total*
	£k	*£k*	*£k*	*£k*
Cost:				
At 3 July 2020	1,182	546	296	2,024
Additions	21	16	–	37
At 2 July 2021	1,203	562	296	2,061
Depreciation:				
At 3 July 2020	835	508	217	1,560
Charge for the period	268	34	79	381
At 2 July 2021	1,103	542	296	1,941
Net book value:				
At 2 July 2021	100	20	–	120

3 July 2020	*Short leasehold improvements*	*Computer equipment*	*Furniture and other equipment*	*Total*
	£k	*£k*	*£k*	*£k*
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

Notes to the financial statements

at 2 July 2021

8. Right-of-use asset

Properties	*2021*	*2020*
	£k	*£k*
Cost:		
At the beginning and end of the period	2,172	2,172
Depreciation and impairment:		
At the beginning of the period	704	–
Depreciation charge for the period	330	330
Impairment	205	374
At the end of the period	1,239	704
Net book value	933	1,468

9. Loan receivable

	2021	*2020*
	£k	*£k*
Loan to EY Frank Hirth Limited	4,507	–

The loan issued during the period to EY Frank Hirth Limited is a £4,500k fixed term loan together with accrued interest of £7k. The loan accrues interest is 1% (2020: Nil%) above Bank of England base rate and is repayable three years after the initial drawdown.

10. Trade and other receivables

	2021	*2020*
	£k	*£k*
Unbilled receivables	471	516
Client debtors	1,445	2,721
Amounts due from EY network entities	471	–
Other receivables	101	4
Prepayments	48	53
	2,536	3,294

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

	2021	*2020*
	£k	*£k*
At beginning of period	50	325
Reversal of provision	(50)	(325)
New and additional provisions	1,717	50
At end of period	1,717	50

Of the new and additional provisions in the current period, the majority relates to a single client debtor.

Notes to the financial statements

at 2 July 2021

11. Trade and other payables

	2021	*2020*
	£k	*£k*
Trade and other payables	339	206
Social security and other taxes	363	585
Payments on account	2,370	803
Other accruals	1,278	1,098
Amounts due to EY network entities	1,136	–
Amounts due to related parties (excluding parent entity)	1,743	854
Amount due to parent entity	669	764
	7,898	4,310

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.

12. Provisions

	2021	*2020*
	£k	*£k*
At the beginning of the period	149	66
New	241	83
Released	(33)	–
Paid	(95)	–
At the end of the period	262	149
Current	20	83
Non-current	242	66
At the end of the period	262	149

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 5 years.

Notes to the financial statements

at 2 July 2021

13. Leases

The company has a non-cancellable commercial property lease with a remaining term of 5 years (2020: 6 years). The carrying amounts of the lease liability and the movements during the period were as follows:

	2021 *£k*	*2020* *£k*
At the beginning of the period	1,839	2,172
Accretion of interest	27	33
Payments	(349)	(366)
At the end of the period	1,517	1,839
Current	347	347
Non-current	1,170	1,492
	1,517	1,839

The related right-of-use asset is disclosed in note 8. The company had total cash outflows for leases of £349k (2020: £366k) during the period. The following amounts have been recognised in profit or loss:

	2021 *£k*	*2020* *£k*
Depreciation expense on right-of-use assets (note 8)	330	330
Impairment of right-of-use assets (note 8)	205	374
Interest expense on lease liabilities	28	33
Total amount recognised in profit and loss	563	737

14. Share capital

Authorised, issued and fully paid	*2021* *No.*	*2021* *£k*	*2020* *No.*	*2020* *£k*
"A" Preference shares treated as liability of £0.01 each	33,000	–	33,000	–
"B" Ordinary shares treated as equity of £0.01 each	59,500	1	59,500	1

Notes to the financial statements

at 2 July 2021

14. Share capital (continued)

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.

15. Financial instruments

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

Liquidity risk

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

The lease liability is repayable £350k within one year, £699k between one and three years and £524k between three and five years.

Credit risk

Credit risk arises primarily from loans receivable which are assessed for impairment based on the level of risk of non-repayment. At the end of the period, the company had a £4,507k loan receivable related to a fixed term loan to its related party, EY Frank Hirth Limited, repayable in May 2024. The balance included accrued interest of £7k.

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	*31-60 days*	*61-90 days*	*> 90 days*	*Total*
	£k	*£k*	*£k*	*£k*	*£k*
At 2 July 2021					
Client debtors	1,135	254	–	56	1,445
Amounts due from EY network entities	471	–	–	–	471
	1,606	254	–	56	1,916
At 3 July 2020					
Client debtors	2,228	121	157	215	2,721
Other receivables	–	–	–	4	4
	2,228	121	157	219	2,725

Notes to the financial statements

at 2 July 2021

15. Financial instruments (continued)

Foreign currency risk

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

16. Related parties

Transactions and balances with related parties were as follows:

	Income earned from related parties	*Purchases from related parties £k*	*Amounts owed by / (to) related parties £k*	*Loan receivables from related parties £k*
2021				
Ernst & Young LLP (ultimate parent)	21,554	(13,579)	(1,504)	–
Foviance Group Limited (parent)	–	–	(669)	–
Ernst &Young Services Limited (fellow subsidiary)	–	(241)	(239)	–
EY Frank Hirth Limited (fellow subsidiary)	–	–	–	4,507

	Income earned from related parties	*Purchases from related parties £*	*Amounts owed by / related parties £*	*Loan receivables from related parties £*
2020				
Ernst & Young LLP (ultimate parent)	18,488	(11,256)	(854)	–
Foviance Group Limited (parent)	–	–	(764)	–

All balances with group undertakings are non-interest bearing except for the loan to EY Frank Hirth Limited which carries interest at 1% above the Bank of England base rate.

Key management personnel comprises the directors of the company, directors of its immediate parent entity Foviance Group Limited and the Board of its ultimate parent entity Ernst & Young LLP. Compensation paid to key management personnel was £nil (2020: £nil). There were no other transactions with key management personnel. Except as disclosed above and elsewhere in the financial statements, there are no other related party transactions.

17. Ultimate controlling party

The company's immediate parent undertaking is Foviance Group Limited, a company registered in England and Wales. The company's ultimate parent undertaking and controlling party is Ernst 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.

18. Post balance sheet event

After the period end, the directors declared and recommended the payment of dividends totaling £6,500k (£109.2437 per ordinary share).