

Financial statements

For the year ended 30 June 2019
Ernst & Young Nederland LLP

Contents

Members' report	3	20 Provisions	60
Statement of members' responsibilities	5	21 Employee benefits	61
Independent auditors' report to the members of Ernst & Young Nederland LLP	7	22 Members' capital	65
Consolidated statement of profit or loss of Ernst & Young Nederland LLP	10	23 Reserves	66
Consolidated statement of other comprehensive income of Ernst & Young Nederland LLP	11	24 Financial instruments	66
Consolidated statement of financial position of Ernst & Young Nederland LLP	12	25 Capital management	72
Consolidated statement of changes in equity of Ernst & Young Nederland LLP	13	26 Related parties and strategic alliance	73
Consolidated statement of cash flows of Ernst & Young Nederland LLP	14	27 Commitments and contingencies	75
Notes to the consolidated financial statements of Ernst & Young Nederland LLP	15	28 Events after the reporting period	77
1 Corporate information	15		
2 Accounting policies	17		
3 Standards issued but not yet effective	39		
4 Significant accounting judgments, estimates and assumptions	41		
5 Business combinations	45		
6 Rendering of services	47		
7 Other Income	48		
8 Operating expenses	49		
9 Finance income and expenses	50		
10 Income tax expense	50		
11 Intangible assets	51		
12 Property, plant and equipment	53		
13 Other non-current and current financial assets	54		
14 Trade and other receivables	54		
15 Prepayments	56		
16 Cash and cash equivalents	56		
17 Trade and other payables	57		
18 Interest-bearing loans and borrowings	57		
19 Other financial liabilities	59		

Statement of profit or loss of Ernst & Young Nederland LLP	79
Statement of other comprehensive income of Ernst & Young Nederland LLP	80
Statement of financial position of Ernst & Young Nederland LLP	81
Statement of changes in equity of Ernst & Young Nederland LLP	82
Statement of cash flows of Ernst & Young Nederland LLP	83
Notes to the separate financial statements of Ernst & Young Nederland LLP	84
29 Financial year	84
30 Accounting policies	84
31 Standards issued but not yet effective	84
32 Significant accounting judgments, estimates and assumptions	84
33 Other income	84
34 Operating expenses	85
35 Finance income and expenses	86
36 Income tax expense	86
37 Intangible assets	87
38 Property, plant and equipment	88
39 Investments in subsidiaries	89
40 Other non-current and current financial assets	90
41 Other receivables	90
42 Prepayments	91
43 Cash and cash equivalents	91
44 Trade and other payables	92
45 Interest-bearing loans and borrowings	92
46 Other financial liabilities	92
47 Provisions	93
48 Employee benefits	94
49 Members' capital	98
50 Reserves	98
51 Financial instruments	98
52 Related parties and strategic alliance	102
53 Commitments and contingencies	104
54 Events after the reporting period	104

Members' report

The members (i.e. partners) present their report and financial statements for the year ended 30 June 2019.

Principal activity

Ernst & Young Nederland LLP (EYNL) provides assistance and coordinating leadership to Ernst & Young Accountants LLP (EYA), EY Advisory Netherlands LLP (EYAN) and Ernst & Young Belastingadviseurs LLP (EYB) and other EY entities in the Netherlands in order to optimize their shared course of business and practices and promote their joint strategy. EYNL carries out its operations in the Netherlands but does not provide services to clients. The individual entities consolidated in these accounts as of 30 June 2019 are detailed in Note 26 to the accounts.

Board of Directors

The Board of Directors is led by Coen Boogaart, Chairman of EYNL. For the year ended 30 June 2019 and the period up until approval of the financial statements, the Board of Directors furthermore comprises of:

- ▶ Jeroen Davidson
- ▶ Rob Lelieveld
- ▶ Mirjam Sijmons
- ▶ Nico Pul
- ▶ Stephan Lauers (appointed 29 May 2019).

The members of the Board of Directors (with exception of Mirjam Sijmons) are - through their private limited liability companies (B.V.) - members of EYNL.

The Chairman of EYNL and the other members of the Board of Directors are appointed by Ernst & Young Europe SCRL (EY Europe), after a binding nomination by the Supervisory Board.

The Board of Directors is responsible for the day-to-day management and for exercising the duties and powers as determined by the Fundamental Rules and Regulations of EYNL.

For the year ended 30 June 2019 and the period up until approval of the financial statements the designated members of EYNL are:

- ▶ Drs. C.B. Boogaart B.V.
- ▶ Mr. J.L. Davidson Belastingadviseur B.V.
- ▶ R.J.W. Lelieveld B.V.
- ▶ N.M. Pul B.V.
- ▶ Drs. S. Lauers B.V. (appointed 29 May 2019).

Supervisory Board

The Supervisory Board is led by Pauline van der Meer Mohr. For the year ended 30 June 2019 and the period up until approval of the financial statements, the Supervisory Board furthermore comprised of:

- ▶ Steven van Eijck
- ▶ Monique Maarsen
- ▶ Tanja Nagel
- ▶ Patrick Rottiers (appointed 12 November 2018).

EY Europe appoints the members of the Supervisory Board, after nomination by the Supervisory Board.

The overarching task and responsibility of the Supervisory Board shall be to supervise the policy of the Board of Directors and the general state of affairs of EYNL where such policy and state of affairs could influence or have an impact (i) on the audit activities and organization associated with EYNL as performed by EYA and (ii) on other activities and organizations associated with EYNL, if such influence or impact on other activities and organizations in turn influences or has an impact on the quality of the audits, the manner in which the audit activities and audit organization guarantee the public interest and the process to comply with the independence rules and other rules of conduct within EYNL. Therefore, in performing its role, the Supervisory Board is to pay attention to organization-wide aspects where such aspects may impact the quality of the audits performed by the auditors of EYA which extends to independence, integrity and the interests of external stakeholders with audits, in each case with due respect for and recognition of the independence of other professionals associated with EYNL that are not responsible for performing legal audits and who, in as far as relevant, are subject to their own rules and regulations which are based on applicable law or which have been issued by their own professional associations.

The Supervisory Board's Charter describes its duties and powers.

Auditor

BDO LLP was appointed auditor to EYNL for the year ended 30 June 2019.

On behalf of Drs. C.B. Boogaart B.V.

C.B. Boogaart

23 September 2019

Statement of members' responsibilities

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 ('LLP Regulations') require the members to prepare financial statements for each financial period. Under the LLP Regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of EYNL and entities under control of EYNL as listed in Note 26 (hereafter: the Group) and EYNL and of the profit or loss of the Group and EYNL for that period. The members have elected to prepare financial statements for the Group and EYNL in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

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

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

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

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

The Group and EYNL, which are part of the EY global network, have considerable financial resources, contracts with a large number of clients across different industries and geographies and have talented and motivated partners and employees. Information about its capital and exposure to liquidity risk is set

out in Notes 24 and 25 to the financial statements. The designated members believe that the Group and EYNL are well placed to manage their business risks successfully and have a reasonable expectation that the Group and EYNL have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

Opinion

We have audited the financial statements of Ernst & Young Nederland LLP ("the Limited Liability Partnership or EYNL") and its subsidiaries (the 'Group') for the year ended 30 June 2019 which comprise the consolidated and EYNL statement of profit or loss, the consolidated and EYNL statement of other comprehensive income, the consolidated and EYNL statement of financial position, the consolidated and EYNL statement of changes in equity, the consolidated and EYNL 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 Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the Group's and the Limited Liability Partnership's financial statements:

- ▶ give a true and fair view of the state of the Group's and the Limited Liability Partnership's affairs as at 30 June 2019 and of the Group's and the Limited Liability Partnerships' profit for the year then ended;
- ▶ have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

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 Group Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Limited Liability Partnership'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 Members are responsible for the other information. The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and,

except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

Matters on which we are required to report by exception

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

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

Responsibilities of Members

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Use of our report

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

Diane Campbell (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date: 23 September 2019

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

Consolidated statement of profit or loss of Ernst & Young Nederland LLP

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Revenue			
Rendering of services	6.1	804,074	763,153
Other income	7	28,315	29,047
		832,389	792,200
Operating expenses			
Services provided by foreign EY member firms and third parties	8.1	118,160	114,705
Employee benefits expenses	8.2	376,867	345,410
Amortization and impairment of intangible assets	11	1,200	1,187
Depreciation and impairment of property, plant and equipment	12	6,180	4,966
Other operating expenses	8.3	177,353	180,115
		679,760	646,383
Operating profit			
		152,629	145,817
Finance income	9.1	291	847
Finance expenses	9.2	-3,850	-4,293
Profit before tax			
		149,070	142,371
Income tax expense	10	91	25
Profit for the financial year			
		149,161	142,396
Profit attributable to members of EYNL			
		149,161	142,396

Consolidated statement of other comprehensive income of Ernst & Young Nederland LLP

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Profit for the financial year		149,161	142,396
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Net gain and (loss) on cash flow hedges		-	3,954
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains and (losses) on defined benefit plans	21.2	204	142
Other comprehensive income for the year, net of tax		204	4,096
Total comprehensive income for the year, net of tax		149,365	146,492
Total comprehensive income for the year attributable to members of EYNL		149,365	146,492

Consolidated statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2019 | In thousands of euros

	Notes	30 June 2019	30 June 2018
Assets			
Non-current assets			
Intangible assets	11	26,595	21,724
Property, plant and equipment	12	28,231	26,175
Other non-current financial assets	13	7,709	6,703
		62,535	54,602
Current assets			
Trade and other receivables	14	310,438	276,075
Prepayments	15	68,218	66,862
Other current financial assets	13	20	142
Cash and cash equivalents	16	52,247	62,395
		430,923	405,474
Total assets		493,458	460,076
Equity and liabilities			
Current liabilities			
Trade and other payables	17	216,316	206,723
Interest-bearing loans and borrowings	18	9,226	13,794
Provisions	20	3,298	2,601
Employee benefits	21	28,529	24,469
Income tax payable		1,032	504
		258,401	248,091
Non-current liabilities			
Interest-bearing loans and borrowings	18	55,111	54,113
Other non-current financial liabilities	19	8,051	8,217
Provisions	20	6,116	9,488
Employee benefits	21	22,460	20,429
		91,738	92,247
Total liabilities		350,139	340,338
Equity			
Members' capital	22	84,407	82,408
Reserves	23	58,912	37,330
Total equity		143,319	119,738
Total equity and liabilities		493,458	460,076

These financial statements were signed on 23 September 2019
by C.B. Boogaart on behalf of Drs. C.B. Boogaart B.V.

Consolidated statement of changes in equity of Ernst & Young Nederland LLP

In thousands of euros

	Members' capital	Profit available for distribution	Retained earnings	Total reserves	Total equity
At 1 July 2017	84,298	120,774	-107,003	13,771	98,069
Profit for the financial year	-	127,613	14,783	142,396	142,396
Other comprehensive income	-	142	3,954	4,096	4,096
Total comprehensive income	-	127,755	18,737	146,492	146,492
Profit distribution 2016/2017	-	-120,774	-2,159	-122,933	-122,933
Contribution of capital from members	3,780	-	-	-	3,780
Repayment on retirement	-5,670	-	-	-	-5,670
At 30 June 2018	82,408	127,755	-90,425	37,330	119,738
Effect of adoption of new accounting Standards (Note 2.3)	-	-	2,096	2,096	2,096
At 1 July 2018 (restated)	82,408	127,755	-88,329	39,426	121,834
Profit for the financial year	-	131,673	17,488	149,161	149,161
Other comprehensive income	-	204	-	204	204
Total comprehensive income	-	131,877	17,488	149,365	149,365
Profit distribution 2017/2018	-	-127,755	-2,124	-129,879	-129,879
Contribution of capital from members	9,065	-	-	-	9,065
Repayment on retirement	-7,066	-	-	-	-7,066
At 30 June 2019	84,407	131,877	-72,965	58,912	143,319

Negative retained earnings are mainly a result of settlement of drawing rights in 2006/2007 and 2008/2009 with current and retired members. These negative retained earnings do not have any impact on the going concern assumption under which these statements have been prepared. Also the future cash flow will not be significantly negatively influenced as a result of the settlement of the drawing rights. For these reasons EYNL will be able to continue distribution of its profits.

Consolidated statement of cash flows of Ernst & Young Nederland LLP

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Operating activities			
Profit for the financial year		149,161	142,396
Adjustment for:			
Amortization and impairment of intangible assets	11	700	1,187
Depreciation and impairment of property, plant and equipment	12	6,180	4,966
Finance income and expenses	9	3,559	3,364
Increase in employee benefits provision	21	4,265	1,247
(Decrease) in provisions	20	-2,019	-2,938
		161,846	150,222
Working capital adjustments:			
(Increase) in trade and other receivables and prepayments		-31,776	-5,113
Increase in trade and other payables		2,273	18,854
Income tax paid/(received)		528	-52
Net cash flow from operating activities		132,871	163,911
Investing activities			
Purchase of intangible assets	11	-	-1,600
Purchase of property, plant and equipment	12	-8,106	-2,346
Disposals of property, plant and equipment	12	93	161
Additions to other non-current financial assets/loans		-1,006	-20
Repayment/disposals of other non-current financial assets/loans		122	19
Acquisition of a subsidiary, net of cash acquired	5	-4,224	-
Interest received		291	847
Net cash flow used in investing activities		-12,830	-2,939
Financing activities			
Payment to/from members (current account)		3,734	-7,318
Prepayments to current members	15	-61,229	-59,606
Payment of profit distribution 2017/2018 (2016/2017)		-68,649	-63,327
Contributions of capital from members	22	9,065	3,780
Repayment of capital contributions on retirement	22	-7,066	-5,670
Payment of finance lease liabilities	18	-1,279	-746
Proceeds from interest-bearing loans and borrowings	18	11,858	9,547
Repayment of interest bearing loans and borrowings	18	-14,665	-7,811
Repayment of other financial liabilities	19	-	-762
Interest paid		-1,958	-3,475
Net cash flows used in financing activities		-130,189	-135,388
Net cash flow		-10,148	25,584
Net cash and cash equivalents 1 July	16	62,395	36,811
Net cash flow		-10,148	25,584
Net cash and cash equivalents 30 June	16	52,247	62,395

Notes to the consolidated financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

The following abbreviations are used in these financial statements:

Abbreviation	standing for
▶ EYNL	Ernst & Young Nederland LLP
▶ EYA	Ernst & Young Accountants LLP
▶ EYAN	EY Advisory Netherlands LLP
▶ EYB	Ernst & Young Belastingadviseurs LLP
▶ EY Europe	Ernst & Young Europe SCRL
▶ EY EMEA	Ernst & Young (EMEA) Services Limited
▶ EY Global	Ernst & Young Global Ltd
▶ EYGS	EYGS LLP
▶ EYGF	Ernst & Young Global Finance, Inc.
▶ EYGI	EYGI B.V.

1 Corporate information

1.1 Date of preparation

EYNL's consolidated financial statements for the year ended 30 June 2019 were approved by the Supervisory Board and EY Europe on 23 September 2019 and signed on behalf of the members by the designated members on 23 September 2019.

1.2 Incorporation

EYNL is a limited liability partnership incorporated and domiciled in the United Kingdom. The partnership was incorporated on 14 March 2008.

EYNL is registered in England and Wales with registered number OC335595 and has its registered office at 6 More London Place, London SE1 2DA, United Kingdom. Its principal place of business is at Boompjes 258, 3011 XZ Rotterdam, The Netherlands and it is registered with the Chamber of Commerce with number 24432942.

All members (partners) participate in EYNL and, depending on their professional grouping, in EYA, EYAN or EYB. There are contractual arrangements under which the entire result of EYA, EYAN and EYB is distributed to EYNL.

1.3 Financial year

A financial year consists of 52 or 53 weeks and therefore the year-end date differs from year to year. The financial year 2018/2019 (52 weeks) started on 30 June 2018 and ended on 28 June 2019 and the financial year 2017/2018 (52 weeks) started on 1 July 2017 and ended on 29 June 2018. Accordingly, references to 30 June 2019 must be read as references to 28 June 2019 and references to 30 June 2018 must be read as references to 29 June 2018.

In thousands of euros, unless stated otherwise

1.4 Principal activities

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

On 2 January 2019, EY Advisory Netherlands LLP (EYAN) was incorporated. On 1 April 2019, the transaction advisory services and advisory activities were transferred from EYA to the new entity EYAN. On the same date, the activities of Ernst & Young Real Estate Services B.V. were also transferred to EYAN.

The principal activities of EYNL's subsidiaries EYA, EYAN and EYB are the provision of assurance, tax, advisory and transaction advisory services in the Netherlands. Information on the group structure and related party relationships is provided in Note 26.

1.5 Control structure

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

EY Europe SCRL has significant influence over EYNL as per 29 March 2019, as described in Note 26. As of that date Ernst & Young Europe LLP stepped down as a member of EYNL. EY Europe is a member of EY Global and EY EMEA. EY Europe is also a member of EYNL.

1.6 Position of the members

In accordance with the contractual terms members provide certain funds to EYNL (members' capital). Both the interest allowance and the repayment of funds are subject to decisions of the Board of Directors and therefore the funds provided by members are classified as equity instruments. In the situation that the Board of Directors might decide to defer interest payments and/or repayments of funds provided, the contractual terms prohibit the distribution of profits.

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

In thousands of euros, unless stated otherwise

2 Accounting policies

2.1 Basis of preparation

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

The consolidated financial statements have been prepared on the historical cost basis except for equity financial assets, derivative financial instruments, and, if any, contingent consideration resulting from business combinations which have been measured at fair value.

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

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

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of EYNL and its subsidiaries as at 30 June 2019. Control is achieved when EYNL is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, EYNL controls an investee if, and only if, EYNL has:

- ▶ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee
- ▶ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when EYNL has less than a majority of the voting or similar rights of an investee, EYNL considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ EYNL's voting rights and potential voting rights.

EYNL re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when EYNL obtains control over the subsidiary and ceases when EYNL loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date EYNL gains control until the date EYNL ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with EYNL's accounting policies. All intra-group assets and liabilities, equity,

In thousands of euros, unless stated otherwise

income, expenses and cash flows relating to transactions between entities within the EYNL group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If EYNL loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 Changes in accounting policy and disclosures

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

- ▶ IFRS 9 Financial Instruments
- ▶ IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 and Clarifications to IFRS 15 Revenue from Contracts with Customers

EYNL applied IFRS 9 and IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018/2019, but do not have an impact on the consolidated financial statements of EYNL.

EYNL has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

EYNL applied IFRS 9 prospectively, with an initial application date of 1 July 2018. EYNL has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings of equity.

In thousands of euros, unless stated otherwise

The impact of adopting IFRS 9 as at 1 July 2018 was, as follows:

	Adjustments	1 July 2018
Assets		
Trade receivables	(b)	2,096
Total assets		2,096
Equity		
Retained earnings	(b)	2,096
Total equity and liabilities		2,096

The nature of the adjustments is described below:

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through OCI (FVTOCI). The classification is based on two criteria: EYNL's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of EYNL's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to EYNL. The following are the changes in the classification of EYNL's financial assets:

- ▶ Debt instruments at amortized cost.
Trade and other receivables (including amounts to be billed) and Other non-current financial assets (i.e., Loan to an associate and Loan to a director) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortized cost beginning 1 July 2018.
- ▶ Equity instruments designated at FVTOCI.
Equity investments in non-listed companies classified as AFS financial assets as at 30 June 2018 are classified and measured as Equity instruments designated at FVTOCI beginning 1 July 2018. EYNL elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in profit or loss for these investments in prior periods.

EYNL continued measuring at fair value (FVTPL) all financial assets previously held at fair value under IAS 39. This are derivative financial instruments (not used for hedge accounting) re foreign exchange forward contracts.

There are no changes in classification and measurement for the EYNL's financial liabilities.

In thousands of euros, unless stated otherwise

In summary, upon the adoption of IFRS 9, EYNL had the following required or elected reclassifications as at 1 July 2018.

	€000	IFRS 9 measurement category		
		FVTPL €000	Amortized costs €000	FVTOCI €000
IAS 39 measurement category				
Loans and receivables:				
- Trade and other receivables including amounts to be billed*	276,075	-	278,171	-
- Loans granted to current members	18	-	18	-
- Loans granted to employees	60	-	60	-
Available for sale: Unquoted equity shares	6,685	-	-	6,685
Derivatives: Foreign exchange forward contracts	82	82	-	-
		82	278,249	6,685

*The change in carrying amount is a result of additional impairment allowance. See discussion on impairment below

(b) Impairment

The adoption of IFRS 9 has changed EYNL's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires EYNL to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss. For trade receivables and amounts to be billed arising from IFRS 15 a simplified model of recognizing lifetime ECL is applied.

Upon adoption of IFRS 9, EYNL recognized impairment adjustments on the provision for impairment of trade receivables (a decrease of €2.3 million), amounts to be billed (an increase of €0.2 million) and other receivables (nil), which resulted in a net increase in retained earnings of €2.1 million as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for impairment under IAS 39 at 30 June 2018	Remeasurement	ECL under IFRS 9 as at 1 July 2018
	€000	€000	€000
Trade receivables	4,463	-2,289	2,174
Amounts to be billed	-	193	193
Other receivables	1,496	-	1,496

In thousands of euros, unless stated otherwise

(c) Hedge accounting

At the date of initial application, 1 July 2018, and during the financial year 2018/2019 EYNL had no hedging relationships.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

EYNL adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. EYNL elected to apply the standard only to contracts that are not completed as at 1 July 2018. Using the practical expedient in IFRS 15, EYNL elected to apply the standard to all contract modifications that occur after the date of initial application, 1 July 2018. Under the modified retrospective method, the cumulative effect of initially applying IFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. The comparative information is not restated and continues to be reported under IAS 18 and related Interpretations.

EYNL performed an impact assessment to determine the potential impact on the consolidated financial statements as a result of the application of IFRS 15. In this impact analysis, EYNL has identified the following areas of potential change: contracts with a variable consideration, timing of revenue recognition (over time or at a point in time) and subcontracting between EY member firms including the determination of EYNL acting as a principal or agent. None of the individual areas of potential change are affected for a material amount nor on an aggregated basis.

With respect of the application of the constraint for variable considerations EYNL concluded that the existing application of the requirements of IAS 18 (among others, the reliable estimation of revenue) for the expected outcome of final settlements of contract revenue by the individual responsible partner resulted in estimations that did not materially differ from estimations for the application of IFRS 15. Based on the outcome of the impact assessment no adjustments were made to the opening balance of retained earnings, and no differences in the line items of both the statement of financial position and the statement of profit and loss. A comparison of revenue of 2018/2019 between IAS 18 versus IFRS 15 is therefore not included.

The presentation and disclosure requirements in IFRS 15 are more detailed than under previous IFRS. Many of the disclosure requirements in IFRS 15 are new or disclosures are extended. Upon adoption of IFRS 15, the notes to the financial statements were expanded because of the disclosure of significant judgments made: timing of satisfaction of performance obligation, determining a method to estimate variable consideration and assessing the constraint.

In thousands of euros, unless stated otherwise

In addition, as required by IFRS 15, EYNL disaggregates revenue recognized from contracts with customers into several categories. Given the nature of the business activities of EYNL, the breakdown of the revenue per type of services has been expanded by a breakdown per market segment. EYNL has provided the information in Note 6.

In Note 4 the significant judgments made are described.

2.4 Summary of significant accounting policies

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange at the reporting date. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss. Fair value changes of derivative financial instruments which are designated as part of a cash flow hedge are recognized in other comprehensive income until the hedged item affects profit and loss.

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

Business combinations and goodwill

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

When EYNL acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by EYNL will be recognized at fair value at the acquisition date. When the contingent consideration meets the definition of a financial liability it is subsequently measured at fair value with the changes in fair value recognized in the statement of profit or loss.

Goodwill is initially measured at cost being the excess of the consideration over the fair value of the net identifiable assets and liabilities as part of the business combination.

If the fair value of the net assets acquired is in excess of the consideration transferred, then the gain is recognized in the statement of profit or loss.

In thousands of euros, unless stated otherwise

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

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Fair value measurement

Initially, financial instruments are measured at fair value. Subsequently, the financial instruments are measured at fair value or amortized cost, depending on the classification of the financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability, or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to EYNL.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

EYNL uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, EYNL determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

In thousands of euros, unless stated otherwise

For the purpose of fair value disclosures, EYNL has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Rendering of services

Rendering of services represents revenue earned under a wide variety of contracts with customers to provide professional services to clients and to other entities within the EY global network.

Revenue from contracts with customers is recognized when control of the services are transferred to the customer at an amount that reflects the consideration to which EYNL expects to be entitled in exchange for those services.

Revenue from contracts with customers is recognized over time using the input method as services are provided to customers. EYNL has an enforceable right to payment at a reasonable margin for performance completed to date and EYNL's performance does not create an asset with an alternative use. In other circumstances EYNL provides services which are consumed by the customers as they are performed, therefore revenue can be recognized over time. The input method is used to measure progress toward complete satisfaction of the service as it provides a faithful depiction of the transfer of services, as EYNL charges its customers on a basis in line with costs.

If the consideration in a contract includes a variable amount (for example success fees, additional billing or volume discounts), EYNL estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is estimated at contract inception or at the moment of an adjustment in the scope or price of the contract and constrained until it is highly probable that a significant revenue reversal in the amount of the cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

EYNL determined the expected value method to be the appropriate method to use in estimating the variable consideration for most of its contracts that include variable amounts such as volume discounts and additional billing, given the large number of potential outcomes of the variable compensation. EYNL determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for contracts with success fees, as the contract has only two possible outcomes (the project either results in a success or not).

Payment is generally due upon specific agreed moments during the performance of our services, on moments that coincide with the work being performed. Using the practical expedient in IFRS 15, EYNL does not adjust the consideration for the effects of a significant financing component if it expects, at contract inception, that the period between EYNL's entitlement to payment from the customer and EYNL's performance under the contract will be less than twelve months.

When another entity within the EY global network or external party is involved in providing services to a customer, EYNL determines whether it is a principal or an agent in these transactions. EYNL is a principal and revenue is recognized on a gross basis if it controls the services before transferring them

In thousands of euros, unless stated otherwise

to the customer. However, if EYNL has to arrange to provide services for another (EY) entity, then EYNL is an agent and will recognize revenue at the net amount that it retains for its agency services.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

Contract balances

▶ Amounts to be billed

A contract asset is recognized when EYNL has a right to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditioned on something other than the passage of time. A contract receivable is an amount to be billed for which payment is only a matter of passage of time.

▶ Trade receivables

A receivable represents EYNL'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). Reference is made to the accounting policies of financial assets.

▶ Payments on account

A contract liability is the obligation to transfer services to a customer for which EYNL has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before EYNL transfers services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier) as Payments on account, presented in Trade and other payables.

Rendering of services - Previous accounting policy under IAS 18

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

Rendering of services represents revenue earned under a wide variety of contracts to provide professional services to clients and to other entities within the EY global network. Revenue is recognized when the stage of completion of the contract, the amounts to be received and the costs incurred and to complete the contract can be measured reliably and it is probable that the revenue will be received. It is measured by reference to the stage of completion of the contract at the estimated fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements, but excluding value added tax.

Revenue is generally recognized as contract activity progresses, although when it is contingent on an event outside the control of EYNL it is recognized when the contingent event occurs. Revenue not billed to clients is included in amounts to be billed. Payments on account in excess of the relevant amount of revenue are included in trade and other payables.

When determining the amount of revenue to be recognized on contracts, it is necessary to estimate their stage of completion, the remaining time and costs to be incurred and the amounts that will be paid for

In thousands of euros, unless stated otherwise

the services provided. These estimates are made on a contract-by-contract basis and a different assessment of any of these factors would result in a change to the amount of revenue recognized.

Other income

Income earned from charges made to other entities within the EY global network is recognized based on the applicable contractual terms and conditions.

Finance income

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

Income tax

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

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

Profit for the financial year available for distribution among members

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

The consolidated financial statements including the determination of the distributable profits are adopted by the Board of Directors following the approval of EY Europe and the Supervisory Board. This approval is made after balance sheet date and therefore the result for the financial year is recognized as part of equity. Distribution of profits will only take place in the situation that the Board of Directors has made use of its discretionary powers to pay interest allowance on members' capital to current or retired members and/or repay members' capital to retired members.

Drawing rights were settled in the 2006/2007 and 2008/2009 financial years. EYNL and its predecessors facilitated the settlement by making payments on behalf of the members and obtaining the necessary financing. Each year, in accordance with a fixed schedule (in fixed amounts during a remaining period of 7 years), part of the consolidated profit available to members will not be distributed, but will be set off against the settled drawing rights in retained earnings. In addition amounts are withheld regarding the settlement of goodwill and onerous contracts.

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

In thousands of euros, unless stated otherwise

Of the profit to be distributed to members that are subject to the clawback regulation, an average of one-sixth of these members' total profit share will be withheld unless such members have opted to allot alternative financial means to the clawback fund, all in accordance with the terms of the clawback regulation. According to this clawback regulation the members have three options: to opt that one-sixth of the profit share will not be paid out; to allot and convert a loan provided through Stichting Confidentia 2004 or to allot a part of the capital contribution.

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

Intangible assets

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

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

▶ Customer relationships	10 years
▶ Brand names	2-3 years
▶ Software	3 years

The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The useful life of brand names is assessed on an individual basis.

The amortization expense on intangible assets is recognized as a separate line item in the statement of profit or loss.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal.

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

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

The present value of the expected decommissioning costs at the end of the lease is included in the cost of the capital expenditure in rented properties if the recognition criteria for a provision are met. It is

In thousands of euros, unless stated otherwise

depreciated over the remaining terms of the leases. See Note 20 for the method for calculating the provision for decommissioning costs.

Depreciation

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

▶ Capital expenditure in rented properties	Lease term, usually 10 years
▶ Fixtures and fittings, computers etc.	5 to 7 years

Depreciation is charged proportionately for additions made during the year.

Contracts are reviewed when determining the lease term for the capital expenditure in rented properties.

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

Derecognition

An item of property, plant and equipment is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Leases

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

Finance lease (EYNL as lessee)

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

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

In thousands of euros, unless stated otherwise

Operating lease

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

Borrowing costs

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

Impairment of non-financial assets

EYNL assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, EYNL estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

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

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

In thousands of euros, unless stated otherwise

Goodwill is tested for impairment annually (at financial year-end) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial Assets

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and EYNL's business model for managing them.

Trade receivables that do not contain a significant financing component or for which EYNL has applied the practical expedient are initially measured at the transaction price determined under IFRS 15. Refer to the accounting policies in the section Rendering of services. All other financial assets are initially measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

EYNL's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All income and expenses relating to financial assets that are recognized in the profit or loss are presented within finance income or finance expenses, except for impairment of trade receivables which is presented within other operating expenses.

Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortized cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (FVOCI with recycling; debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (FVOCI no recycling; equity instruments)
- ▶ Financial assets at fair value through profit or loss (FVTPL)

In thousands of euros, unless stated otherwise

In the periods presented EYNL does not have any financial assets categorized as FVOCI with recycling.

Financial assets at amortized cost (debt instruments)

This category is the most relevant to EYNL. EYNL measures financial assets at amortized cost if both of the following conditions are met:

- ▶ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- ▶ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

EYNL's financial assets at amortized cost includes trade and other receivables, including amounts to be billed, and other (non-) current financial assets (i.e. loans granted to current members and loans granted to employees).

Financial assets designated at fair value through OCI (FVOCI no recycling; equity instruments)

Upon initial recognition, EYNL can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when EYNL benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

EYNL elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include derivative financial instruments not designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

Derecognition

A (part of) a financial asset is derecognized when the contractual rights to receive cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred.

In thousands of euros, unless stated otherwise

Financial assets - Previous year accounting policies under IAS 39

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables or AFS financial assets, as appropriate. All financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

The financial assets include cash and cash equivalents, trade and other receivables, loans and other receivables and unquoted equity shares.

Subsequent measurement

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

1. Loans and receivables

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

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

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

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

2. AFS financial assets

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

Impairment of financial assets

Under IFRS 9, EYNL recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that EYNL expects to receive, discounted at an approximation of the original effective interest rate.

In thousands of euros, unless stated otherwise

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

EYNL considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, EYNL may also consider a financial asset to be in default when internal or external information indicates that EYNL is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables and amounts to be billed, EYNL applies the simplified approach in calculating ECLs. Therefore, EYNL does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. EYNL has established a provision matrix that is based on its historical credit loss experience. The provision matrix is adjusted with forward-looking information when changes in economic conditions are expected to have a material impact. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Impairment of financial assets - Previous year accounting policies under IAS 39

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

For financial assets carried at amortized cost, EYNL first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If EYNL determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the assets is reduced through the use of an allowance account and the loss is recognized in profit or loss.

In thousands of euros, unless stated otherwise

ii) Financial liabilities

Initial recognition and measurement of financial liabilities

The accounting for financial liabilities under IFRS 9 is comparable to IAS 39. The financial liabilities include trade and other payables and loans and borrowings. Financial liabilities at fair value through profit and loss relates to the contingent considerations in a business combination.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, hedging instruments in an effective hedge or as payables, as appropriate. Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities

After initial recognition, interest-bearing and non-interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Trade payables are generally carried at the original invoiced amount.

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

Derecognition

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

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

In the current financial year EYNL had no hedging relationships that were designated for hedge accounting.

Initial recognition and subsequent measurement under IAS 39

EYNL uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

In thousands of euros, unless stated otherwise

At the inception of a hedge relationship, EYNL formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Before 1 July 2018 the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how EYNL will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

Provisions

Provisions are recognized when EYNL has a present legal or constructive obligation resulting from a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

Professional indemnity

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

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

Obligation for members' drawing rights

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

In thousands of euros, unless stated otherwise

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

Decommissioning provision

The provision for decommissioning relates to the leases of offices. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning obligation. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Provision for employee benefits

Pensions

As of 1 July 2018, EYNL has a new general pension plan, which qualifies as an individual defined contribution plan and is administrated by a premium pension institution (PPI: Aegon Cappital). Overall, this pension scheme is classified as a DC scheme under IAS 19. EYNL is only required to pay the agreed fixed contribution to Aegon Cappital to build up a capital for the individual participants. After payment of this contribution EYNL does not have any further obligation to Aegon Cappital or its employees in this respect.

The pension scheme until 1 July 2018 was a collective defined contribution (CDC) scheme and was administrated by the pension fund Stichting Pensioenfonds Ernst & Young (SPEY), which was classified as a DC scheme under IAS 19. EYNL was required to pay the agreed contributions to the pension fund. After payment of this premium EYNL does not have any further obligation to the fund or its employees in this respect. EYNL cannot be held liable for any losses suffered by the pension fund, even if the pension fund is discontinued. By paying the contribution due, EYNL complied with all its obligations. The premiums paid did not contain any elements of past services. EYNL was not entitled to any refund. As of 1 July 2018, the administration agreement between EYNL and SPEY was terminated. Pension is no longer accrued within SPEY and contributions are no longer paid by EYNL to SPEY.

For both schemes, the contributions due are taken to the statement of profit or loss. Contributions payable and prepaid are included under current liabilities and current assets.

Besides the above mentioned general pension plans, EYNL has two other related pension obligations:

- ▶ There is an obligation relating to the continuation of the pension accrual during the prepension period. For a limited (closed) group of participants EYNL pays contributions for participants who (in part) are no longer in active employment.
- ▶ There is an obligation to index the paid-up entitlements of a limited, specific and closed group of former employees.

In thousands of euros, unless stated otherwise

Both of these obligations are classified as a defined benefit plan and are unfunded. Measurement is based on the projected unit credit method using a discount rate derived from the interest rate on high-quality corporate bonds. Actuarial gains and losses are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit and loss in subsequent periods. Both obligations are separate elements of the general pension plan and do not have an impact on the classification of the general pension plan.

Salary payments during absence and long-service awards

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

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

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

Equity

Members' capital

The funds provided by the members classify as Equity instruments. Reference is made to Note 1.6.

Retained earnings

The distribution of the consolidated result for the financial year will be made following the adoption of the financial statements by the Board of Directors and the approval by EY Europe and the Supervisory Board and after the financial statements are signed on behalf of the members by the designated members. Therefore the consolidated result for the financial year is recognized as part of equity.

Distribution of profits will only take place in the situation that the Board of Directors has made use of its discretionary powers and has decided to pay interest allowance on members' capital to current or retired members and/or repay members' capital to retired members.

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

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

In thousands of euros, unless stated otherwise

Part of the withdrawn drawing rights will be funded each year by the then profit-sharing members. Each year, in accordance with a fixed schedule, part of the profit available to members will not be distributed, but set off against the settled drawing rights in equity (retained earnings). In addition amounts are withheld regarding the settlement of goodwill and onerous contracts.

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

Statement of cash flows

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

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

Combined transactions are not recognized on the basis of their individual components: e.g. assets acquired through a finance lease are not recognized in the net cash flows used in investing activities or the net cash flows used in financing activities. Instead, only the actual payment of the finance lease obligations is included in the net cash flows used in financing activities. The interest element is recognized as part of overall interest in the financing cash flow.

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

In thousands of euros, unless stated otherwise

3 Standards issued but not yet effective

A number of standards and interpretations have been issued, but are not yet effective up to the date of issuance of the EYNL's financial statements.

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

IFRS 16 Leases

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 will be effective for EYNL for the financial year starting 1 July 2019.

EYNL's transition to IFRS 16

EYNL plans to adopt the modified retrospective transition method and as such will retrospectively recognize the cumulative effect of initially applying IFRS 16 at the date of initial application (1 July 2019). In doing so, EYNL will recognize a right-of-use asset at the date of initial application (1 July 2019) at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before the date of initial application. EYNL will apply the same approach for recognizing its right-of-use assets to all its lease arrangements.

Per 30 June 2019, the lease contract for personal computers was classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial

In thousands of euros, unless stated otherwise

application (1 July 2019) shall be the carrying amount of the lease asset and lease liability immediately before that date measured when applying IAS 17. Therefore for these lease contracts no impact is expected from the transition to IFRS 16. Generally, these personal computers are considered to be low value assets for lease contracts entered into subsequent to the transition date.

EYNL will elect to use the exemptions offered by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. For lease contracts of office buildings and cars with a remaining lease term of less than 12 months, the exemption will not be applied. EYNL has leases of mobile phones that are considered as low value.

EYNL intends to rely on its assessment of whether leases are onerous applying IAS 37 immediately before the date of initial application, as an alternative to performing an impairment review at the transition date.

EYNL is in the process of performing the impact assessment to determine the potential impact on the consolidated financial statements as a result of adoption IFRS 16.

Based on the current assumptions, the lease liability to recognise (as part of the Interest-bearing loans and borrowings) is expected to be €122.5 million. The corresponding effect on the right-of-use assets is expected to be €115.9 million. The difference is related to prepaid amounts, lease incentives and provisions for onerous contracts.

Due to the adoption of IFRS 16 there is a change in the accounting for expenses of leases that were classified as operating leases under IAS 17. Under IFRS 16 these expenses are classified as depreciation and interest expenses. The impact on the depreciation expenses is expected to be €23.9 million and the expected impact on interest expenses will be less than €0.1 million.

In thousands of euros, unless stated otherwise

4 Significant accounting judgments, estimates and assumptions

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

Judgments

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

Rendering of services

EYNL applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers.

Timing of satisfaction of performance obligation

EYNL concluded that the revenue from contracts with customers is to be recognized over time because EYNL's performance does not create an asset with alternative use and EYNL has an enforceable right to payment at a reasonable margin for the performance completed to date. Besides there are also types of contracts where the customer simultaneously receives and consumes the benefit provided by EYNL's performance as it performs (e.g. secondments).

EYNL determined that the input method based on labor hours incurred to determine a proxy for cost is the best method in measuring progress towards complete satisfaction of the performance obligation because there is a direct relationship between EYNL's effort (i.e. labor hours incurred) and the transfer of service to the customer.

Determining method to estimate variable consideration and assessing the constraint

Certain contracts of EYNL include success fees, additional billing or volume discounts that give rise to variable consideration. EYNL estimates the amount of variable consideration by using either the expected value method or the most likely amount method, depending on which method better predicts the amount of consideration to which it will be entitled.

EYNL determined the expected value method to be the appropriate method to use in estimating the variable consideration for most of its contracts that include variable amounts such as volume discounts and additional billing, given the large number of potential outcomes of the variable compensation. EYNL determined that the most likely amount method is the appropriate method to use in estimating the variable consideration for contracts with success fees, as the contract has only two possible outcomes (the project either results in a success or not).

The estimation of the variable consideration is made by the individual responsible partner, considering historical experience with the client and other (economic) conditions.

In thousands of euros, unless stated otherwise

Drawing rights

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

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

Finance and operating leases

Management established on the basis of an evaluation of the terms and conditions for the arrangements that not all the significant risks and rewards of ownership of cars and mobile phones leased for employees and members had been transferred to EYNL. Consequently, the cars and mobile phones are recognized as operating leases.

During 2017/2018 EYNL entered into a new lease contract for personal computers. Under this contract the personal computers are recognized as finance leases.

Pension plan

The contractual arrangements laid down in the pension plan, the agreements with Aegon Cappital (as of 1 July 2018) respectively Stichting Pensioenfonds Ernst & Young (until 30 June 2018) and the transparent communication on employees' entitlements are of such a nature that, viewed from EYNL's perspective there is a plan under which all actuarial risks and rewards are placed outside EYNL after payment of the fixed annual premium.

Besides the above mentioned general pension plan, there is an obligation to continue the pension accrual during the prepension period and an obligation to index certain paid-up entitlements that qualifies as a defined benefit plan. Because these obligations relate to a limited, specific and closed group of (former) employees it is regarded as separate plans and does not impact the classification of the general pension plan.

Estimates and assumptions

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

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

In thousands of euros, unless stated otherwise

Revenue measurement

The revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the services. Therefore estimates are made using a method based on a primary estimate by the member with final responsibility plus a review procedure. Revenue is determined taking into account the progress of work. Where applicable, the variations in the contracted work are also taken into account.

Property, plant and equipment

Expenditure on property, plant and equipment is allocated to the financial years according to estimates of the expected useful life of the asset and any residual value. In the case of capital expenditure in rented properties, there is also a review of whether options to renew the lease will be exercised. Part of the amount capitalized is the estimated expenditure required at the end of the lease for returning the leased premises to their original state. Further details on property, plant and equipment are disclosed in Note 12.

Impairment of non-financial assets

An impairment exists when the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget and forecasts for the next 1 to 3 years. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are further explained in Note 11.

Provision for expected credit losses of trade receivables and amounts to be billed under IFRS 9

EYNL uses a provision matrix to calculate Expected Credit Losses (ECL) for trade receivables and amounts to be billed. The provision rates are based on days past due.

EYNL has established a provision matrix that is based on its historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. EYNL's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the EYNL's trade receivables and amounts to be billed is disclosed in Note 14.

Measurement of trade receivables under IAS 39

Trade receivables are measured on the basis of individual reviews and a collective review. Any impairment of outstanding receivables (including unbilled amounts) is assessed on the basis of objective evidence regarding the recoverability at the reporting date. Information becoming available after the

In thousands of euros, unless stated otherwise

reporting date that evidences that a loss already existed at the reporting date is also taken into account. Further details on trade receivables are disclosed in Note 14.

Provision for professional indemnity

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

Provision for premises

A provision for premises has been formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but unoccupied. In determining the amounts, assumptions and estimates are made in relation to discount rate, expected fixed expenses and expected income from sublease. For further details see Note 20.

Employee benefits

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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 24 for further disclosures.

Contingent consideration from business combinations

Contingent considerations, resulting from business combinations, are valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions taken into consideration include the probability of meeting each performance target and the discount factor. See Notes 5 and 19 for further details.

The considerations subject to the retention of the former shareholders/partners and/or employees of acquired entities, which are payable in the next financial year are accounted for as Employee benefits provision. See Notes 5 and 21 for further details. The long term deferred considerations are further explained under Commitments and contingencies. See Note 27 for further details.

In thousands of euros, unless stated otherwise

5 Business combinations

Acquisitions in 2018/2019

On 16 July 2018 Ernst & Young Participaties B.V. acquired 100% of the shares of VODW Marketing & Management Consultants B.V. After the acquisition the name has been changed to EY VODW B.V. (EY VODW).

EY VODW is specialized in marketing and strategy within the Netherlands; with this acquisition EYNL is reinforcing its position on the Dutch consultancy market in the area of customer-driven innovation and digital transformation.

The acquisition qualifies as a business combination as described in IFRS 3.

Assets acquired and liabilities assumed

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

	Notes	Fair value recognized on acquisition
Assets		
Intangible assets identified at acquisition date	11	2,807
Intangible fixed assets	11	23
Tangible fixed assets	12	223
Trade and other receivables		3,942
Cash and cash equivalents		336
		7,331
Liabilities		
Trade and other payables		5,512
Total identifiable net assets at fair value		1,819
Goodwill arising on acquisition	11	2,741
Purchase consideration transferred		4,560

The fair value of the trade receivables amounts to €3.0 million. The gross amount of trade receivables is €3.0 million. None of the trade receivables have been impaired.

At acquisition date, intangible assets of €2.8 million were recognized, comprising of customer relationships and brand name.

The goodwill of €2.7 million mainly consists of the value of future customers, expected synergies arising from the acquisition and assembled workforce. Goodwill is assessed on the level of EYAN.

None of the goodwill recognized is expected to be deductible for corporate income tax purposes.

In thousands of euros, unless stated otherwise

From the date of acquisition (16 July 2018) to 30 June 2019, the acquired business has contributed €12.1 million to revenue and €2.0 million to the gross margin of EYNL for 2018/2019.

Purchase consideration	2018/2019
Cash paid	4,560
Total consideration	4,560

Analysis of cash flows on acquisitions	2018/2019
Cash paid	-4,560
Repayment of loan facility	-2,100
Net cash acquired with the subsidiary (included in cash flows from investing activities)	336
Net cash flow on acquisition	-6,324

Ultimate Shareholders' Retention Consideration

As part of the share purchase agreement, an Ultimate Shareholders' Retention Consideration has been agreed. Subject to the retention of the partners, there will be additional cash payments of maximum € 2.9 million, consisting of three annual payments. This consideration explicitly focuses on the tenure of the partners and therefore these payments are considered as remuneration for post-combination services (employee benefits) and are not included in the total consideration for the shares.

Key Employee Retention Consideration

As part of the share purchase agreement, a Key Employee Retention Consideration has been agreed. The Key Employee Retention Consideration is linked to the retention of employees and payable to the individual employees and consists of two annual payments for a total maximum amount of €0.6 million. This consideration explicitly focuses on the tenure of the employees and therefore these payments are considered as remuneration for post-combination services (employee benefits) and are not included in the total consideration for the shares.

Acquisitions in 2017/2018

There were no acquisitions during 2017/2018.

In thousands of euros, unless stated otherwise

6 Rendering of services

6.1 Disaggregated revenue information

Fee income from the rendering of services is generated almost entirely in the Netherlands and can be broken down by service line and market segments as mentioned in the following schedules.

The figures of 2018/2019 are based upon IFRS 15 and the comparative figures are based upon IAS 18. The prior period amounts have not been adjusted under the modified retrospective method. As described in Note 2.3 the adoption of IFRS 15 has no impact on the revenue amount in comparison to the previously applied accounting policy IAS 18.

	2018/2019	2017/2018
Service line		
Assurance services	338,958	340,324
Tax services	242,551	230,271
Advisory services	147,575	126,749
Transaction advisory services	74,990	65,809
	804,074	763,153
	2018/2019	2017/2018
Market segment		
Financial Services / Growth markets	181,644	168,237
Telecom, Media & technology	95,796	95,083
Consumer Product & Retail	82,272	79,207
Life Science & Healthcare	72,695	71,724
Government & Public Sector	63,399	58,705
Energy & Resources	54,054	50,087
Real Estate, Hospitality & Construction	47,496	44,685
Advanced manufacturing and mobility	101,367	101,789
Private Equity	38,393	35,100
Other	66,958	58,536
	804,074	763,153

6.2 Contract balances and performance obligations

EYNL has recognized the following balances related to contracts with customers.

The figures of 2018/2019 are based upon IFRS 9 and 15 and the comparative figures are based upon IAS 18 and 39. The prior period amounts have not been adjusted under the modified retrospective method. See Note 2.3 for a description of the impact on the line items in the balance sheet in comparison to the previously applied accounting policies.

In thousands of euros, unless stated otherwise

	Notes	2018/2019	2017/2018
Trade receivables	14	148,772	135,717
Amounts to be billed	14	120,786	113,728
Payments on account	17	-74,610	-73,434

The performance obligations are satisfied over time as services are rendered. Some contracts contain volume discounts or success fees, which give rise to variable consideration subject to constraint. Payment is generally due upon specific agreed moments during the performance of our services, on moments that coincide with the work being performed. In some contracts, short-term advances are received before the service is provided.

Amounts to be billed are recognized for revenue earned from provided services as receipt of consideration is conditional on completion of the performance. A contract receivable is recognized when the right to an amount of consideration is unconditional and only the passage of time is required before payment is due. Payments on account include short-term advances received to provide services to customers.

Trade receivables are non-interest bearing and the standard payment term is 14 days.

The increase in trade receivables and amounts to be billed is due to an increase in revenue. The acquisition on 16 July 2018 of EY VODW resulted in an increase in trade receivables of €3.0 million in 2018/2019 (see Note 5). At 30 June 2019 €1.6 million was recognized as a provision for expected credit losses on trade receivables (1 July 2018: €2.2 million).

An amount of €71.2 million of revenue is recognized in the reporting period that was included in the Payments on account balance at the beginning of the period.

An amount of €6.8 million of revenue is recognized in the reporting period from performance obligations (partially) satisfied in previous periods.

Since the original expected duration of contracts is generally less than one year, EYNL applied the practical expedient in IFRS 15.121 and therefore the aggregate amount of transaction price allocated to the performance obligations that are (partially) unsatisfied as of the end of the financial year is not disclosed. For contracts of which the original expected duration exceeds one year the transaction price allocated to the remaining performance obligations is not material.

7 Other Income

	2018/2019	2017/2018
Charges made to other entities within the EY network	28,120	28,889
Other	195	158
	28,315	29,047

In thousands of euros, unless stated otherwise

8 Operating expenses

8.1 Services provided by foreign EY member firms and third parties

These are services and expenses directly attributable to assignments.

8.2 Employee benefits expenses

	2018/2019	2017/2018
Salaries and bonuses	261,455	238,844
Social security charges	38,163	33,942
Pension contributions	26,965	27,064
Mobility expenses	40,357	38,456
Other staff expenses	9,927	7,104
	376,867	345,410

Salaries and bonuses include holiday allowance.

Mobility expenses includes car lease payments recognized as operating lease expenses of €19.7 million (2017/2018: €20.8 million).

The average number of staff (excluding members) in full time equivalents (FTE) during the year was:

FTE	2018/2019	2017/2018
Client serving staff	3,746	3,472
Support staff	527	493
	4,273	3,965

8.3 Other operating expenses

	2018/2019	2017/2018
Premises expenses	21,714	21,538
Other staff expenses	20,467	18,692
Office expenses	11,116	13,604
IT expenses	32,541	33,682
International EY charges	60,304	59,893
Net foreign exchange gains and losses	8	584
Other expenses	31,203	32,122
	177,353	180,115

Premises expenses includes lease payments recognized as operating lease expense of €18.3 million (2017/2018: €17.3 million).

IT expenses includes lease payments recognized as operating lease expense of €0.3 million (2017/2018: €0.3 million).

In thousands of euros, unless stated otherwise

Auditors' remuneration of €279,500 (2017/2018: €253,600) is included in other expenses. Of these amounts, €240,000 (2017/2018: €209,000) was charged in respect of the audit of the financial statements of all entities and an amount of €39,500 (2017/2018: €44,600) for various other audit services.

9 Finance income and expenses

9.1 Finance income

	2018/2019	2017/2018
Interest on bank balances and deposits	52	721
Interest income on loans and receivables	239	126
	291	847

9.2 Finance expenses

	2018/2019	2017/2018
Interest on loans granted by current and retired members	2,191	2,435
Interest on current and retired members' current account balances	438	722
Total interest paid to current and retired members	2,629	3,157
Finance charges payable under finance leases	80	59
Unwinding of discount on provisions and loans (Notes 18, 20 and 21)	826	801
Other interest and similar expense	315	276
	3,850	4,293

10 Income tax expense

	2018/2019	2017/2018
Income tax: current financial year	98	25
Income tax: previous financial year	-7	-
	91	25

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

There are no direct equity movements on which current or deferred tax is computed. There are no recognized or unrecognized losses available for relief.

In thousands of euros, unless stated otherwise

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

	2018/2019	2017/2018
Profit before tax	149,070	142,371
Tax (20%- 25%)	-34,458	-33,123
Tax on partnership profits borne personally by the members	34,556	33,148
Taxes receivable by subsidiaries	98	25

11 Intangible assets

	Customer relationships/ Brand names	Goodwill	Software	Total
At 1 July 2017	3,462	17,733	116	21,311
Acquisitions	-	-	1,600	1,600
Amortization	-587	-	-600	-1,187
At 30 June 2018	2,875	17,733	1,116	21,724
Acquisitions	2,807	2,741	23	5,571
Adjustment	-	-	500	500
Amortization	-883	-	-317	-1,200
At 30 June 2019	4,799	20,474	1,322	26,595
Cost	5,590	17,733	458	23,781
Accumulated amortization	-2,128	-	-342	-2,470
At 1 July 2017	3,462	17,733	116	21,311
Cost	5,590	17,733	1,850	25,173
Accumulated amortization	-2,715	-	-734	-3,449
At 30 June 2018	2,875	17,733	1,116	21,724
Cost	8,398	20,474	2,648	31,520
Accumulated amortization	-3,599	-	-1,326	-4,925
At 30 June 2019	4,799	20,474	1,322	26,595

Acquisitions

Further details of the acquired intangible assets are included in Note 5.

Adjustment

The review of the amortization period of software has led to an adjustment in the amortization of software of €0.5 million.

In thousands of euros, unless stated otherwise

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the relevant LLP, EYA (€1.4 million) or EYAN (€20.5 million) as being the CGU for impairment testing. Until 1 April 2019 the CGU for impairment testing was EYA.

Key assumptions used in value in use calculations

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

The value in use calculation is based on cash flow projections from the most recent financial budgets, the discount rates are derived from the CGU's weighted average cost of capital. The indefinite growth rate used is 0.0%.

Sensitivity to changes in assumptions

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

As a result of analysis, management did not identify an impairment as at 30 June 2019 and 30 June 2018.

In thousands of euros, unless stated otherwise

12 Property, plant and equipment

	Capital expenditure in rented properties	Fixtures and fittings, computers	Total
At 1 July 2017	17,218	6,842	24,060
Acquisitions	-	-	-
Additions	1,534	5,708	7,242
Disposals	-75	-86	-161
Depreciation	-2,455	-2,511	-4,966
At 30 June 2018	16,222	9,953	26,175
Acquisitions	-	223	223
Additions	4,557	3,549	8,106
Disposals	-40	-53	-93
Depreciation	-2,780	-3,400	-6,180
At 30 June 2019	17,959	10,272	28,231
Cost	54,010	32,243	86,253
Accumulated depreciation and impairments	-36,792	-25,401	-62,193
At 1 July 2017	17,218	6,842	24,060
Cost	53,443	36,790	90,233
Accumulated depreciation and impairments	-37,221	-26,837	-64,058
At 30 June 2018	16,222	9,953	26,175
Cost	50,676	37,443	88,119
Accumulated depreciation and impairments	-32,717	-27,171	-59,888
At 30 June 2019	17,959	10,272	28,231

As at 30 June 2019, there are contractual obligations for purchasing property, plant and equipment for an amount of €0.2 million (as at 30 June 2018: €3.3 million).

Further details of the acquisitions are included in Note 5.

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

Finance leases

The carrying value of fixtures and fittings, computers held under finance leases at 30 June 2019 is €3.0 million (30 June 2018: €4.2 million). There were no additions during this financial year (2017/2018: € 4.9 million) of fixtures and fittings, computers under finance leases. Leased assets are pledged as security for the related finance lease liabilities.

In thousands of euros, unless stated otherwise

13 Other non-current and current financial assets

	30 June 2019	30 June 2018
Non-current		
Equity instruments	7,691	6,685
Loans granted to current members	18	18
	7,709	6,703
Current		
Foreign exchange forward contracts	-	82
Loans granted to employees	20	60
	20	142

As at 30 June 2019 and 30 June 2018, there were no past-due amounts.

Equity instruments

EYNL holds non-controlling interests in EYGI B.V. (5.86%), EY Holdings Ltd (19.68%), EY Global Finance, Inc. (4%) and EMEIA Fusion LP (14.3%). Equity investments in non-listed companies classified as AFS financial assets as at 30 June 2018 are classified and measured as Equity instruments designated at fair value through other comprehensive income (FVOCI) beginning 1 July 2018. Refer to Note 24.3 for further information.

Foreign exchange forward contracts

The amount at 30 June 2018 reflected the positive fair value of foreign forward exchange contracts that are not designated in hedge relationships. Derivative financial instruments are measured at fair value. Refer to Note 24.1 for further information.

14 Trade and other receivables

	30 June 2019	30 June 2018
Trade receivables	148,772	135,717
Amounts to be billed	120,786	113,728
Other receivables	40,880	26,630
	310,438	276,075

The figures of 2018/2019 are based upon IFRS 9 and 15 and the comparative figures are based upon IAS 18 and 39. The prior period amounts have not been adjusted under the modified retrospective method. See Note 2.3 for a description of the impact on the line items in the balance sheet in comparison to the previously applied accounting policies.

14.1 Trade receivables

Trade receivables are non-interest bearing and the standard payment term is 14 days. Trade receivables are pledged to Stichting Confidentia 2004 as security for the loans granted by current and retired members.

In thousands of euros, unless stated otherwise

Receivables from related parties and strategic alliance are included in trade receivables. For further information regarding related parties reference is made to Note 26.

The trade receivables are net of expected credit losses (ECL). The total amount of ECL as at 30 June 2019 for these receivables is €1.6 million.

The movement in the allowance for expected credit losses is as follows:

	2018/2019	2017/2018
At 1 July calculated under IAS 39	-4,463	-4,052
Amounts restated through opening retained earnings	2,289	-
Opening loss allowance as at 1 July 2018 (IFRS 9)	-2,174	-
Charge for the year	-387	-1,141
Release of unused amounts	-	196
Written off	942	534
At 30 June	-1,619	-4,463

The comparative figures for provision for impairment refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9, which is an expected loss model.

In the consolidated statement of profit or loss a loss of €0.4 million (2017/2018: €0.9 million) has been recognized under other operating expenses.

The changes in the balances of trade receivables are disclosed in Note 6.2 and the information about the credit exposures and the analysis relating to the allowance for expected credit losses is disclosed in Note 24.2.

14.2 Amounts to be billed

As at 30 June 2019, EYNL has amounts to be billed of €121.0 million which is net of an allowance for expected credit losses (ECL) of €0.2 million. Due to immateriality no movement schedule of ECL is disclosed. As at 30 June 2018, an amount of €113.7 million is not yet billed and measured at expected realizable value and therefore neither past due nor impaired.

In the consolidated statement of profit or loss a loss of €0.1 million (2017/2018: €0.0 million) has been recognized under other operating expenses.

Payments on account in excess of the relevant amount of revenue are included in trade and other payables. Reference is made to Note 17.

Amounts to be billed are pledged to Stichting Confidentia 2004 as security for the loans granted by current and retired members.

In thousands of euros, unless stated otherwise

The changes in the balances of amounts to be billed are disclosed in Note 6.2 and the information about the credit exposures and the analysis relating to the allowance for expected credit losses is disclosed in Note 24.2.

14.3 Other receivables

Other receivables are net of expected credit losses (ECL). The total amount of ECL as at 30 June 2019 for these receivables is €0.5 million.

The movement in the allowance for expected credit losses was as follows:

	2018/2019	2017/2018
At 1 July calculated under IAS 39	-1,496	-1,762
Amounts restated through opening retained earnings	-	-
Opening loss allowance as at 1 July 2018 (IFRS 9)	-1,496	-
Charge for the year	-73	-
Release of unused amounts	1,117	266
Written off	-	-
At 30 June	-452	-1,496

The comparative figures for provision for impairment refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9, which is an expected loss model. Based on the performed analysis, no adjustment has to be made on the provision for impairment of the other receivables per 1 July 2018.

In the consolidated statement of profit or loss a gain of €1.0 million (2017/2018: €0.3 million) has been recognized under other operating expenses.

The information about the credit exposures is disclosed in Note 24.2.

15 Prepayments

	30 June 2019	30 June 2018
Profit-share advances paid to current members	61,229	59,606
Other prepayments	6,989	7,256
	68,218	66,862

16 Cash and cash equivalents

	30 June 2019	30 June 2018
Cash at banks and in hand	52,247	62,395
	52,247	62,395

In thousands of euros, unless stated otherwise

17 Trade and other payables

	30 June 2019	30 June 2018
Amounts due to current and retired members	50,570	48,930
Trade payables	22,918	18,084
Taxes and social security	44,290	43,664
Payments on account	74,610	73,434
Other financial liabilities	1,617	1,632
Other payables	22,311	20,979
	216,316	206,723

Trade payables are normally settled on 30-day terms.

Amounts due to current and retired members are current account balances. Amounts drawn by current members as advances on the profit share are presented as prepayments.

Further details regarding the other financial liabilities are included in Note 19.

Payables from related parties and strategic alliance are included in trade payables and other payables. For further information regarding related parties reference is made to Note 26.

18 Interest-bearing loans and borrowings

	Effective interest rate	Maturity (financial year)	30 June 2019	30 June 2018
Current				
Loans granted by current and retired members	5.0%	2020	8,001	12,595
Lease obligations	2.2%	2020	1,225	1,199
			9,226	13,794
Non-current				
Loans granted by current and retired members	3.6%	2021-2025	44,170	42,383
Private loan to finance settlement of drawing rights	5.0%	Up to 2049	9,156	8,720
Lease obligations	2.2%	2022	1,785	3,010
			55,111	54,113

Loans granted by current and retired members

These loans are held by Stichting Confidentia 2004 on behalf of the current and retired members. This foundation holds pledges on the trade receivables and amounts to be billed. In the event of the death of a current or former member, his/her professional corporation can demand early repayment of the amount of the loan outstanding at that time.

In thousands of euros, unless stated otherwise

According to the clawback regulation one-sixth of the total profit share 2017/2018 of the members concerned is restricted for a term of six years. Alternatively, a member can (1) opt to convert (a) loan(s) provided through Stichting Confidentia 2004 into a restricted loan with a term of six years or (2) restrict repayment of members' capital at retirement. As a result for 2018/2019, a 3.00% loan of € 4.4 million was issued originating from unpaid profit distribution and an amount of € 80,000 loans held by Stichting Confidentia 2004 was converted into new 3.00% loans. During 2017/2018, a 3.25% loan of €3.6 million was issued originating from unpaid profit distribution and an amount of €0.6 million loans held by Stichting Confidentia 2004 was converted into new 3.25% loans.

The fair value of the (new) loan equals the book value of the converted loan amounts.

Per 30 June 2019, the total amount of loans related to the clawback regulation is €12.9 million (30 June 2018: €8.5 million).

The loans are repayable according to the following schedule:

	Interest rate	In €000
Unsubordinated loans		
31 December 2019	5.00%	8,001
31 December 2020	4.00%	10,976
31 December 2021	4.00%	7,243
31 December 2022	3.25%	5,492
31 December 2022	4.00%	4,279
31 December 2023	3.25%	4,243
31 December 2023	3.00%	7,550
31 December 2024	3.00%	4,387

Private loan to finance settlement of drawing rights

On behalf of Ernst & Young Europe LLP, EYGF has committed a total of €98.9 million in two loans to finance the settlement of drawing rights in 2008/2009.

The loans are interest-free and were measured on receipt at the fair value of the future cash flows using a discount rate of 5%. For the financial year 2018/2019, the interest charge due to application of the amortized cost method amounts to €0.4 million (2017/2018 €0.4 million).

The first loan is fully repaid. The final installment was paid in June 2015. The amortized cost of the remaining second loan with a face value of €39.5 million will be assessed annually based on current information on future cash flows (and, if necessary, revising the amortized cost).

Lease obligations

This is the obligation under the Finance lease contracts for personal computers. Further details are included in Note 27.

In thousands of euros, unless stated otherwise

Changes in financial liabilities arising from financing activities

The following schedule summarizes the changes in financial liabilities from financing activities as mentioned in the consolidated statement of cash flows.

	Non-current interest- bearing loans and borrowings (excl. leases)	Current interest- bearing loans and borrowings (excl. leases)	Non-current lease obligations	Current lease obligations	Total
At 1 July 2018	51,103	12,595	3,010	1,199	67,907
Cash flows					
Repayments	-2,070	-12,595	-80	-1,199	-15,944
Proceeds	11,858	-	-	-	11,858
Non-cash flows					
Interest accruing	436	-	80	-	516
Non-current amounts becoming current	-8,001	8,001	-1,225	1,225	-
At 30 June 2019	53,326	8,001	1,785	1,225	64,337

19 Other financial liabilities

	30 June 2019	30 June 2018
Other financial liabilities at amortized costs		
Deferred income	9,668	9,849
	9,668	9,849
With a term < 1 year	1,617	1,632
With a term > 1 year	8,051	8,217
	9,668	9,849

Deferred income

Deferred income as at 30 June 2019 mainly relates to the lease incentives regarding office leases. The amount relating to the next financial year is included in the Trade and other payables, see Note 16.

Changes in financial liabilities arising from financing activities

All movements during 2018/2019 were non-cash movements.

During 2017/2018 an amount of €762,000 was repaid on other financial liabilities. The other movements were non-cash movements.

In thousands of euros, unless stated otherwise

20 Provisions

	Professional indemnity	Premises	Drawing rights of current members	Total
At 1 July 2017	3,965	4,450	6,349	14,764
Additions	2,374	283	18	2,675
Payments	-43	-934	-1,255	-2,232
Amounts released	-3,165	-282	-	-3,447
Unwinding of discount	-	70	259	329
At 30 June 2018	3,131	3,587	5,371	12,089
Additions	2,192	437	-	2,629
Payments	-88	-956	-1,350	-2,394
Amounts released	-2,604	-74	-469	-3,147
Unwinding of discount	-	30	207	237
At 30 June 2019	2,631	3,024	3,759	9,414
With a term < 1 year	121	1,158	1,322	2,601
With a term > 1 year	3,010	2,429	4,049	9,488
At 30 June 2018	3,131	3,587	5,371	12,089
With a term < 1 year	2,023	707	568	3,298
With a term > 1 year	608	2,317	3,191	6,116
At 30 June 2019	2,631	3,024	3,759	9,414

Professional indemnity

Professional indemnity claims, other than the policy excess, are insured under the EY International insurance program. The professional indemnity provision serves to cover current exposures, with a maximum per event of the uninsured policy excess. Based on the best estimate of timing the cash outflow is not discounted. In the normal course of business, entities may receive claims for alleged negligence.

Insurance cover is carried in respect of professional indemnity. Cover is principally written through captive insurance companies and a proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action may take longer to resolve. Where appropriate, provision is made for costs arising from such claims representing the estimated costs of defense and settlements below the uninsured policy excess. Separate disclosure is not made of any individual claim or expected insurance recoveries where such disclosure might seriously prejudice the position of the entity.

Contingent liabilities arise where payments resulting from a claim are not probable or where it is not possible to reliably estimate the financial effect of a claim.

In thousands of euros, unless stated otherwise

Premises

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

The provisions for vacant office buildings and dilapidation costs are calculated at present value using a discount rate of 0.10% for lease contracts ending within 6 years (30 June 2018: 0.59%) and of 0.35% for lease contract with a term of 6 years or longer 30 June 2018: 0.98%).

Drawing rights of current members

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

The obligation is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a pre-tax rate of 5.0% (30 June 2018: 5.0%).

21 Employee benefits

	30 June 2019	30 June 2018
Current liabilities		
Payments to be made to staff	23,800	21,921
Defined benefit pension plan	250	-
Salary payments during absence	2,302	1,133
Provision for long-service awards	519	341
Remuneration liability acquisitions	1,658	1,074
	28,529	24,469
Non-current liabilities		
Payments to be made to staff	17,150	16,264
Defined benefit pension plan	2,315	1,275
Salary payments during absence	58	78
Provision for long-service awards	2,937	2,812
	22,460	20,429

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

Remuneration liability acquisitions relates to the amounts to be paid within one year to the previous shareholders/partners of the acquired entities/businesses for the agreed earn out considerations and the retention consideration. As mentioned in Note 5 these are considered as remuneration for post-combination services.

21.1 Defined contribution pension plan

For a description of the pension schemes of EYNL, reference is made to Note 2.4.

In thousands of euros, unless stated otherwise

EYNL is only required to pay the agreed fixed contribution to Aegon Cappital to build up a capital for the individual participants. After payment of the agreed fixed contribution EYNL does not have any further obligation to Aegon Cappital or its employees in this respect. In addition, EYNL pays a non-pensionable supplement to the salary in the coming years to the employees who were employed as per 30 June 2018. This payment is related to age and not to service time.

The total amount of the defined contribution plans charged to profit or loss during the financial year was €26.6 million (2017/2018: €26.7 million).

21.2 Defined benefit pension plan

For a description of the pension schemes of EYNL, reference is made to Note 2.4.

Due to changes in the pension scheme per 1 July 2018, the defined benefit (DB) obligation for the pension accrual during prepension period was formed in 2018/2019.

Considering the relative small size of this obligation, disclosures are limited to those below.

	DB obligation to pension accrual during prepension period	DB obligation to index paid-up entitlements	Total
At 1 July 2017	-	1,395	1,395
Interest cost	-	22	22
Current Service cost	-	-	-
Benefits paid	-	-	-
Actuarial (gains)/losses on obligation	-	-142	-142
At 30 June 2018	-	1,275	1,275
Addition	1,474	-	1,474
Interest cost	-	20	20
Current Service cost	-	-	-
Benefits paid	-	-	-
Actuarial (gains)/losses on obligation	-	-204	-204
At 30 June 2019	1,474	1,091	2,565
With a term < 1 year	250	-	250
With a term > 1 year	1,224	1,091	2,315
	1,474	1,091	2,565

In thousands of euros, unless stated otherwise

The principal assumptions use for DB obligation to pension accrual during prepension period are:

	30 June 2019	30 June 2018
Discount rate	0.04%	-
General salary increase	2.0%	-
Inflation	2.0%	-
Likelihood of leaving:		
▸ 50-54	6.0%	-
▸ 55-59	3.0%	-
▸ 60-62	0.0%	-

The principal assumptions use for DB obligation to index paid-up entitlements are:

	30 June 2019	30 June 2018
Discount rate	1.7%	1.6%
General salary increase	0.0%	0.0%
Inflation	0.3%	0.3%
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2016 Forecast tables of the Dutch Actuarial Association

The total amount of defined benefit obligation charged to profit during the financial year was €0.02 million (2017/2018: €0.02 million). The actuarial gain of the current year of €0.20 million (2017/2018: a gain of €0.14 million) is recognized in other comprehensive income.

21.3 Salary payments during absence

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

The movements in the provision were as follows:

	2018/2019	2017/2018
At 1 July	1,211	848
Additions	2,912	2,006
Payments	-1,298	-1,458
Released	-466	-188
Unwinding of discount	1	3
At 30 June	2,360	1,211

In thousands of euros, unless stated otherwise

	30 June 2019	30 June 2018
With a term < 1 year	2,302	1,133
With a term > 1 year	58	78
	2,360	1,211

The principal assumptions used for the provision for supplementary disability benefits under the WIA are:

	30 June 2019	30 June 2018
Discount rate	1.8%	1.8%
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2016 Forecast tables of the Dutch Actuarial Association

21.4 Provision for long-service awards

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

The movements in the provision were as follows:

	2018/2019	2017/2018
At 1 July	3,153	3,103
Additions	738	444
Payments	-490	-435
Released	-2	-13
Unwinding of discount	57	54
At 30 June	3,456	3,153

	30 June 2019	30 June 2018
With a term < 1 year	519	341
With a term > 1 year	2,937	2,812
	3,456	3,153

In thousands of euros, unless stated otherwise

The principal assumptions used are:

	30 June 2019	30 June 2018
Discount rate	1.8%	1.8%
Factor for attrition, mortality and disability	19.5%	19.2%
Future salary increase	2.4%	2.1%

22 Members' capital

	30 June 2019	30 June 2018
Contractual capital contribution by members	84,407	82,408
	84,407	82,408

The movements were as follows:

	2018/2019	2017/2018
At 1 July	82,408	84,298
Contributions	9,065	3,780
Repayment on retirement	-7,066	-5,670
At 30 June	84,407	82,408

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

	30 June 2019	30 June 2018
Number of members		
EYA	95	161
EYAN	59	-
EYB	78	78
EYNL	232	239
Members retired in financial year	16	8
Number of profit-sharing partners	248	247
Capital contribution (in € million)		
EYA	35.2	55.5
EYAN	21.2	-
EYB	28.0	26.9
EYNL	84.4	82.4

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

In thousands of euros, unless stated otherwise

In accordance with the clawback regulation, some members have opted for an allotment of (part of) their capital contribution. A total amount of €10.3 million (30 June 2018: €7.0 million) is allotted to the clawback fund for a period of six years.

23 Reserves

23.1 Result for the financial year

The consolidated financial statements are adopted by the Board of Directors following the approval of EY Europe and the Supervisory Board. The consolidated result for the financial year is shown in these financial statements.

23.2 Retained earnings

This reserve relates mainly to the settlement of drawing rights in the 2006/2007 and 2008/2009 financial years to former members and partners, which will be settled in annual installments in the period to 2026 (7 years) with the then profit-sharing members. It also includes the present value of the arrangements made in 2008/2009 for drawing rights of members eligible in that year. The amount of contributions and other amounts for this received from EYGS on behalf of EY Europe is deducted from the reserve.

The retained earnings also include the settlement of goodwill and onerous contracts and the actuarial gains and losses arising on defined benefit pension plans.

23.3 Movements

Reference is made to the consolidated statement of changes in equity.

24 Financial instruments

24.1 Hedging activities and derivatives

EYNL uses foreign exchange forward contracts to manage the risk related to the potential change in the relationship of the value of the euro against the US dollar for future payments denominated in US dollar. At the inception of a forward contract, it is determined whether or not the contract is designated as a cash flow hedge.

During 2017/2018 EYNL entered into a forward contract of USD 5.6 million. This contract is not designated as a cash flow hedge and is entered into for periods consistent with foreign currency exposure of the underlying transactions. During 2018/2019 EYNL did not enter into forward contracts.

During 2016/2017 EYNL entered into forward contracts designated as cash flow hedges for an amount of USD 75.5 million. This cash flow hedge of the expected future transactions in 2017/2018 was assessed to be highly effective and an unrealized loss of €4.0 million was included in other comprehensive income during 2016/2017. On maturity during 2017/2018, this amount was removed from OCI and included in the carrying amount of the hedged items (other operating expenses).

In thousands of euros, unless stated otherwise

24.2 Financial instruments risk management objectives and policies

EYNL's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables, including amounts owed to and receivable from current and retired members. The main purpose of these financial liabilities is to finance the EYNL's operations.

EYNL's principal financial assets include trade and other receivables and cash that arise from normal commercial activities. EYNL also holds investments in debt and equity instruments and enters into derivative transactions.

EYNL does not use financial instruments for speculative activities, and complex financial instruments are avoided.

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises primarily from trade and other receivables, amounts to be billed and other financial assets, including deposits with banks and amounts due from members.

Trade receivables and amounts to be billed

EYNL maintains procedures to minimize the risk of default by customers. Outstanding customer receivables and amounts to be billed are regularly monitored. Credit risk is not covered by credit insurance or other credit instruments other than billing in advance in certain cases. Services are provided to such a large group of clients that there is no concentration of credit risk.

Amounts to be billed are typically billed to clients within a month of arising and our standard payment term for invoices is 14 days.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. EYNL applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and amounts to be billed. To measure expected credit losses on a collective basis, trade receivables are grouped based on days past due and credit risk. The amounts to be billed have similar risk characteristics to the trade receivables for similar types of contracts. The expected loss rates are based on EYNL's historical credit losses experienced over the five year period prior to 30 June 2019 and 1 July 2018. Given the short period exposed to credit risk, the impact of macroeconomic factors has not been considered significant within the reporting period. A trade receivable is written off when there is no reasonable expectation of recovering the contractual cash flows. Generally, trade receivables are written-off if past due for more than two years. The maximum exposure to credit risk for these assets are the carrying amounts presented in Note 14.1 and 14.2.

In thousands of euros, unless stated otherwise

Set out below is the information about the credit risk exposure on EYNL's trade receivables and amounts to be billed using a provision matrix at 30 June 2019 and 1 July 2018:

30 June 2019	Gross carrying amount	Expected credit loss rate	Allowance for ECL
Trade receivables			
Not due	106,670	0.21%	224
<30 days	25,927	0.35%	90
30-90 days	11,062	1.82%	201
90-180 days	3,636	4.17%	152
180-365 days	1,503	14.60%	219
>365 days	1,593	45.96%	732
	150,391	1.08%	1,619
Amounts to be billed	121,041	0.21%	255
	271,432		1,874
<hr/>			
1 July 2018	Gross carrying amount	Expected credit loss rate	Allowance for ECL
Trade receivables			
Not due	97,498	0.17%	167
<30 days	25,094	0.48%	120
30-90 days	9,799	2.45%	240
90-180 days	3,134	5.41%	170
180-365 days	2,932	17.75%	520
>365 days	1,723	55.52%	957
	140,180	1.55%	2,174
Amounts to be billed	113,728	0.17%	193
	253,908		2,367

For a movement schedule of the allowance for expected credit loss reference is made to Note 14.1.

Other financial assets

EYNL maintains procedures to minimize the risk of default. Credit risk is not covered by credit insurance or other credit instruments. The other financial assets are regularly monitored.

The maximum exposure to credit risk for these assets are the carrying amounts presented in Note 14.3. Due to the nature of the receivables presented (members, employees and EY member firms) no or very limited risk applies. Amounts due from members are recovered from the current year's profit distribution or otherwise contractually reclaimed from the members.

In thousands of euros, unless stated otherwise

For other receivables measured at amortized costs an impairment analysis is performed at each reporting date. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are determined for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is determined for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The impairment analysis is made on an individual basis and is based on invoice categories, ageing, and if available information from the credit control department.

For a movement schedule of the allowance for expected credit loss reference is made to Note 14.3.

Cash deposits

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

Liquidity risk

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

In thousands of euros, unless stated otherwise

The maturity profile of the contractual undiscounted payments, including interest, arising from EYNL's financial liabilities at year-end, is as follows:

	<u>< 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Year ended 30 June 2019					
Interest-bearing loans and borrowings:					
- Contractual payments	9,226	12,201	29,367	44,387	95,181
- Interest payments	1,828	1,382	1,978	66	5,254
Trade and other payables	216,316	-	-	-	216,316
	<u>227,370</u>	<u>13,583</u>	<u>31,345</u>	<u>44,453</u>	<u>316,751</u>
Year ended 30 June 2018					
Interest-bearing loans and borrowings:					
- Contractual payments	13,794	10,248	30,902	44,243	99,187
- Interest payments	2,135	1,541	2,005	69	5,750
Trade and other payables	206,723	-	-	-	206,723
	<u>222,652</u>	<u>11,789</u>	<u>32,907</u>	<u>44,312</u>	<u>311,660</u>

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. Capital expenditure on cars is funded by operating leases, the personal computers are finance leases. The other main source of financing capital expenditure is funding supplied by current and retired members.

Interest rate risk

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

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

A fixed rate of interest is paid on long-term loans granted by current and retired members. The interest on current account liabilities to current and retired members is assessed and set quarterly.

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

In thousands of euros, unless stated otherwise

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

	Increase/ decrease	2018/2019	2017/2018
	in basis points	€000	€000
Effect on profit before tax	+15	78	94
Effect on profit before tax	-15	-78	-94

Foreign currency risk

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

EYNL manages its foreign currency risk by hedging US dollar payments that are expected to occur within a maximum 12-month period.

If the US dollar exchange rate were to change by 10%, the impact on profit or loss would be €0.8 million (2017/2018: €0.2 million) as a result of changes in the carrying amount of US dollar-denominated cash and amounts receivable/payable. If the pound sterling exchange rate were to change by 10%, the impact on profit or loss would be €90,000 (2017/2018: €3,000) as a result of changes in the carrying amount of pound sterling-denominated cash and amounts receivable/payable.

24.3 Other notes

Reconciliation of classes and categories

As of 1 July 2018, all presented groups of financial assets, except other non-current financial assets, are part of the category debt instruments measured at amortized cost (until 30 June 2018: loans and receivables measured at amortized costs). The financial assets in other non-current financial assets are in the category equity instruments designated at FVOCI and measured at fair value (until 30 June 2018: available-for-sale category and are measured at fair value, if they can be measured reliably, or otherwise at cost).

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

In thousands of euros, unless stated otherwise

Fair values

Initially, financial instruments are measured at fair value. Subsequently, the financial instruments are measured at fair value or amortized cost, depending on the classification of the financial instruments.

As at 30 June 2019 and 30 June 2018, contingent considerations resulting from business combinations are measured at fair value.

During 2017/2018 EYNL entered into a forward contract of USD 5.6 million, fair value as at 30 June 2018 is €0.1 million. Refer to Note 23.1 for further information.

EYNL assessed that the fair values of cash, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

- ▶ Long-term fixed-rate receivables are evaluated by EYNL using parameters such as interest rates, individual creditworthiness of the borrower and the risk characteristics of the financed project. Based on this evaluation, no impairment has been deemed necessary to recognize expected losses on these receivables. At 30 June 2019 and 30 June 2018, the carrying amounts of these receivables approximated their fair value.
- ▶ Investments in equity instruments are designated at fair value through OCI. Their value is determined under a discounted cash flow model using projected cash flows.
- ▶ EYNL enters into derivative financial instruments with a financial institution with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs.
- ▶ The fair value of fixed-rate borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. At 30 June 2019 and 30 June 2018, the carrying amounts of these payables approximated their fair value.

Fair value assessment of the above mentioned financial assets and liabilities is of a level 2-type, with the exception of Investment in equity instruments which are of a level 3-type.

25 Capital management

EYNL's objective when managing capital is to safeguard its ability to continue as a going concern. Partly in view of its professional independence requirements, EYNL aims for financing which is predominantly provided voluntarily or compulsorily by the members (and retired members). Each member can be demanded to contribute an amount, not exceeding the amount (if any) unpaid in respect of the capital obligation for which the member is liable as a member.

Certain categories of property, plant and equipment, such as cars and computer equipment, are funded through finance or operating leases. Working capital is managed in such a manner that in principle no other external bank needs to be called upon and no other financing needs to be drawn. The same criteria apply to advances of profit shares to the members for the financial year. An exception to this is specific financing of the settlement of drawing rights for which loans from EYGF have been drawn.

In thousands of euros, unless stated otherwise

26 Related parties and strategic alliance

26.1 Related parties

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

	Country of incorporation	Equity interest	
		30 June 2019	30 June 2018
Ernst & Young Accountants LLP	United Kingdom	100%	100%
EY Advisory Netherlands LLP	United Kingdom	100%	-
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	100%	100%
Ernst & Young Participaties B.V.	The Netherlands	100%	100%
Ernst & Young VAT Rep B.V.	The Netherlands	100%	100%
Ernst & Young Actuarissen B.V.	The Netherlands	100%	100%
Ernst & Young CertifyPoint B.V.	The Netherlands	100%	100%
GS Participation Ltd	United Kingdom	100%	100%
Ernst & Young Real Estate Advisory Services B.V.	The Netherlands	100%	100%
EY-Parthenon B.V.	The Netherlands	100%	100%
Centre B.V.	The Netherlands	-	100%
EY Montesquieu Finance B.V.	The Netherlands	100%	100%
EY Montesquieu Institutional Risk Management B.V.	The Netherlands	100%	100%
EY VODW B.V.	The Netherlands	100%	-

On 16 July 2018, Ernst & Young Participaties B.V. acquired 100% of the shares of VODW Marketing & Management Consultants B.V. After the acquisition the name has been changed to EY VODW B.V. (EY VODW).

On 1 July 2018, the activities from Centre B.V. were transferred to Ernst & Young Accountants LLP. Centre B.V. was liquidated on 1 April 2019.

On 2 January 2019, EY Advisory Netherlands LLP was incorporated. On 1 April 2019, the transaction advisory services and advisory activities were transferred from Ernst & Young Accountants LLP to the new entity EY Advisory Netherlands LLP. On the same date, the activities of Ernst & Young Real Estate Advisory Services B.V. were also transferred to EY Advisory Netherlands LLP.

On 21 December 2017, the name Parthenon-EY B.V. was changed in EY-Parthenon B.V.

Transactions and balances

Under IFRS 10, an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Board of EY Europe has assessed the arrangements between EY Europe and EYNL, and

In thousands of euros, unless stated otherwise

considered that EY Europe's own exposure to variable returns from EYNL arising from those arrangements is not sufficient to meet the definition of control, despite having power over EYNL. The arrangements do give EY Europe significant influence over EYNL, so EYNL is therefore an associate of EY Europe.

During 2018/2019 and 2017/2018 there were no sales to and purchases from EY Europe respectively its legal predecessor. As at 30 June 2019 and 30 June 2018, there were no outstanding balances with EY Europe respectively its legal predecessor.

26.2 Strategic alliance

EYB has a strategic alliance with HVG Law LLP.

The following table provides the total amounts for which transactions were entered into during the relevant financial years and the outstanding balances at 30 June 2019 and 30 June 2018.

	2018/2019	2017/2018
Sales	12,706	12,984
Purchases	9,821	11,848
Current amounts receivable at 30 June (Gross amounts)	241	181
Current amounts payable at 30 June	369	831

26.3 Terms and conditions of transactions

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

Outstanding balances at year-end are unsecured and interest-free, and settlement occurs in cash. No guarantees were provided or received for any related party/strategic alliance receivable or payable.

For the year ended 30 June 2019, EYNL did not record any impairment of receivables from related parties and strategic alliance (30 June 2018: nil). This assessment is undertaken each financial year through examining the financial position of the related party/strategic alliance and the market in which it operates.

26.4 Compensation of key management personnel of EYNL

Key management personnel are the designated members of EYNL, EYA, EYAN and EYB and the members of the Supervisory Board of EYNL during the financial year.

At 30 June 2019, there were 5 designated members (30 June 2018: 4) with an average during 2018/2019 of 4.1 members (2017/2018: 3.4). The designated members receive their remuneration through their professional practice companies, being a total of €4.9 million (2017/2018: €4.3 million). The remuneration of the Supervisory Board members for 2018/2019 is a total amount of €0.3 million (2017/2018: €0.3 million).

In thousands of euros, unless stated otherwise

27 Commitments and contingencies

Operating lease commitments

EYNL has entered into long-term leases for office premises and operating leases for personal computers, mobile phones, copiers/printers and cars. These leases have an average life between 1 and 10 years and may contain renewal options. Future minimum rentals payable are as follows:

	IT related contracts	Cars	Office leases	Total
Year ended 30 June 2019				
Within 1 year	1,328	13,270	16,637	31,235
Between 1 and 5 years	1,049	16,793	69,401	87,243
More than 5 years	-	-	49,165	49,165
	2,377	30,063	135,203	167,643
Year ended 30 June 2018				
Within 1 year	337	13,505	16,337	30,179
Between 1 and 5 years	30	16,043	65,302	81,375
More than 5 years	-	-	58,586	58,586
	367	29,548	140,225	170,140

The lease commitments relate only to the actual commitments at year-end, excluding any service or other charges. Future rent increases were disregarded. Guarantees totaling some €0.8 million (2017/2018: €1.1 million) have been issued for lease commitments.

Finance lease commitments

During 2017/2018 EYNL entered into a new lease contract for personal computers. Under this contract the personal computers are recognized as finance leases. Finance lease charges for personal computers in the financial year amount to €1.3 million (2017/2018: €0.7 million).

In thousands of euros, unless stated otherwise

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

	2018/2019		2017/2018	
	Minimum payments	Present value of payments (Note 18)	Minimum payments	Present value of payments (Note 18)
Within 1 year	1,280	1,225	1,280	1,199
Between 1 and 5 years	1,813	1,785	3,093	3,010
After 5 years	-	-	-	-
Total minimum lease payments	3,093	3,010	4,373	4,209
Lease charges still to be incurred (incl. fuel)	-	-	-	-
Total minimum lease commitment	3,093	3,010	4,373	4,209
Less amounts representing finance charges	-83	-	-164	-
Present value of minimum lease commitment	3,010	3,010	4,209	4,209

The leases for personal computers have a remaining term of 3.4 years. Leased assets are pledged as security for the related finance lease.

Contingent liabilities

As part of the purchase agreements with the previous owners of the acquired business and/or entities, considerations have been agreed. Payments of these considerations are subject to the retention of the former ultimate shareholders/partners and/or employees.

There will be additional cash payments to the previous owners of these acquired entities, if still employed by EY, of maximum €4.1 million (2017/2018: maximum €4.8 million), payable in the next three years.

Besides, there will be additional cash payments to individual employees of acquired entities, if still employed by EY, of maximum €1.3 million (2017/2018: maximum €1.2 million), payable in the next two years.

Proceedings and claims

Disciplinary and civil law proceedings and claims have been brought against EY personnel and entities pursuant to alleged professional negligence and other claims. Forceful defense is put up against such proceedings and claims, which sometimes involve substantial amounts. In many cases, it is exceedingly difficult to estimate the risks involved due to many uncertainties regarding facts, the legal position of all parties involved and other legal issues.

Insurance cover is carried in respect of professional indemnity. Cover is principally written through captive insurance companies and a proportion of the total cover is reinsured through the commercial market. Cases are usually resolved within three years, although claims that involve court action may

In thousands of euros, unless stated otherwise

take longer to resolve. Where appropriate, provision is made for costs arising from such claims representing the estimated costs of defense and settlements below the uninsured policy excess. Separate disclosure is not made of any individual claim or expected insurance recoveries where such disclosure might seriously prejudice the position of the entity.

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

Current external proceedings

EYA is suspect in a case regarding our notification responsibility under the "Wwft" in connection with a former audit client. The case has been put on hold pending an investigation by the investigating magistrate.

Deferred balance - member firms

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

Funding of settlement of drawing rights

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

- ▶ On behalf of EY Europe LLP, EYGF has committed a total of €98.9 million in two loans to finance the settlement of drawing rights in 2008/2009. The first loan is fully repaid. The repayment of the second loan with a face value of €39.5 million will be determined based on future cash flows.
- ▶ A contribution of €74.1 million has to be repaid under the following circumstances only.
 - ▶ Bankruptcy or suspension of payments, failure to meet the loan terms and conditions, or appointment of a receiver or administrator.
 - ▶ Termination of participation in EY Global.
- ▶ The difference (€44.9 million) between the amounts received and the fair value at the time of receipt in 2008/2009 is recognized as a contribution to the withdrawals paid (net amount recognized in equity, see Note 23).

28 Events after the reporting period

After the reporting date no events occurred that need to be reported.

Separate financial statements

For the year ended 30 June 2019
Ernst & Young Nederland LLP

Statement of profit or loss of Ernst & Young Nederland LLP

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Revenue			
Rendering of services		1,362	3,949
Other income	33	112,132	103,530
		113,494	107,479
Operating expenses			
Services provided by foreign EY member firms and third parties		1,593	4,006
Employee benefits expenses	34.1	49,619	41,640
Amortization and impairment of intangible assets	37	33	28
Depreciation and impairment of property, plant and equipment	38	5,919	4,716
Other operating expenses	34.2	53,180	56,689
		110,344	107,079
Operating profit		3,150	400
Finance income	35.1	8,827	8,478
Finance expenses	35.2	-3,679	-4,077
Share of profit from subsidiaries	39	145,176	138,567
Profit before tax		153,474	143,368
Income tax expense	36	-	-
Profit for the financial year		153,474	143,368
Profit attributable to members of EYNL		153,474	143,368

Statement of other comprehensive income of Ernst & Young Nederland LLP

for the year ended 30 June 2019 | In thousands of euros

	Notes	2018/2019	2017/2018
Profit for the financial year		153,474	143,368
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net unrealized gain and (loss) on cash flow hedges		-	3,954
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains and (losses) on defined benefit plans	48.2	204	142
Other comprehensive income for the year, net of tax		204	4,096
Total comprehensive income for the year, net of tax		153,678	147,464
Total comprehensive income for the year attributable to members of EYNL		153,678	147,464

Statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2019 | In thousands of euros

	Notes	30 June 2019	30 June 2018
Assets			
Non-current assets			
Intangible assets	37	39	72
Property, plant and equipment	38	27,176	24,865
Investment in subsidiaries	39	26,990	26,990
Other non-current financial assets	40	-	152
		54,205	52,079
Current assets			
Other receivables	41	202,867	113,562
Prepayments	42	67,132	66,234
Other current financial assets	40	152	234
Cash and cash equivalents	43	31,240	62,337
		301,391	242,367
Total assets		355,596	294,446
Equity and liabilities			
Current liabilities			
Trade and other payables	44	122,402	81,692
Interest-bearing loans and borrowings	45	9,226	13,794
Provisions	47	1,275	2,481
Employee benefits	48	3,880	2,917
		136,783	100,884
Non-current liabilities			
Interest-bearing loans and borrowings	45	55,111	54,113
Other non-current financial liabilities	46	8,051	8,217
Provisions	47	5,312	6,291
Employee benefits	48	4,803	4,231
		73,277	72,852
Total liabilities		210,060	173,736
Equity			
Members' capital	49	84,407	82,408
Reserves	50	61,129	38,302
Total equity		145,536	120,710
Total equity and liabilities		355,596	294,446

These financial statements were signed on 23 September 2019 by C.B. Boogaart on behalf of Drs. C.B. Boogaart B.V.

Statement of changes in equity of Ernst & Young Nederland LLP

In thousands of euros

	Members' capital	Profit available for distribution	Retained earnings	Total reserves	Total equity
At 1 July 2017	84,298	122,671	-107,003	15,668	99,966
Profit for the financial year	-	128,585	14,783	143,368	143,368
Other comprehensive income	-	142	3,954	4,096	4,096
Total comprehensive income	-	128,727	18,737	147,464	147,464
Profit distribution 2016/2017	-	-122,671	-2,159	-124,830	-124,830
Contribution of capital from members	3,780	-	-	-	3,780
Repayment on retirement	-5,670	-	-	-	-5,670
At 30 June 2018	82,408	128,727	-90,425	38,302	120,710
Effect of adoption of new accounting Standards (note 30.2)	-	-	-	-	-
At 1 July 2018 (restated)	82,408	128,727	-90,425	38,302	120,710
Profit for the financial year	-	135,986	17,488	153,474	153,474
Other comprehensive income	-	204	-	204	204
Total comprehensive income	-	136,190	17,488	153,678	153,678
Profit distribution 2017/2018	-	-128,727	-2,124	-130,851	-130,851
Contribution of capital from members	9,065	-	-	-	9,065
Repayment on retirement	-7,066	-	-	-	-7,066
At 30 June 2019	84,407	136,190	-75,061	61,129	145,536

Negative retained earnings are mainly a result of settlement of drawing rights in 2006/2007 and 2008/2009 with current and retired members. These negative retained earnings do not have any impact on the going concern assumption under which these statements have been prepared. Also the future cash flow will not be not significantly negatively influenced as a result of the settlement of the drawing rights. For these reasons EYNL will be able to continue distribution of its profits.

Statement of cash flows of Ernst & Young Nederland LLP

for the year ended 30 June 2018 | In thousands of euros

	Notes	2018/2019	2017/2018
Operating activities			
Profit for the financial year		153,474	143,368
Share of profit from subsidiaries	39	-145,176	-138,567
		8,298	4,801
Adjustment for:			
Amortization of intangible assets	37	33	28
Depreciation and impairment of property, plant and equipment	38	5,919	4,716
Finance income and expenses	35	-5,148	-4,401
Increase in employee benefits provision	48	1,710	137
(Decrease) in provisions	47	-2,409	-2,602
		8,403	2,679
Working capital adjustments:			
(Increase)/Decrease in trade and other receivables and prepayments		-83,865	20,925
Increase in trade and other payables		38,982	6,233
Net cash flow from operating activities		-36,480	29,837
Investing activities			
Purchase of intangible assets		-	-100
Purchase of property, plant and equipment		-8,324	-2,164
Disposals of property, plant and equipment		94	96
Repayment of other financial assets/loans		152	152
Interest received		8,827	8,478
Net cash flow used in investing activities		749	6,462
Financing activities			
Payment to/from members (current account)		142,183	126,757
Prepayments to current members	42	-61,229	-59,606
Payment of profit distribution 2017/2018 (2016/2017)		-71,246	-66,547
Contributions of capital from members	49	9,065	3,780
Repayment of capital contributions on retirement	49	-7,066	-5,670
Payment of finance lease liabilities	45	-1,199	-746
Proceeds from interest-bearing loans and borrowings	45	11,858	9,547
Repayment of interest bearing loans and borrowings	45	-14,665	-7,811
Repayment of other financial liabilities		-77	-77
Interest paid		-2,990	-2,986
Net cash flows used in financing activities		4,634	-3,359
Net cash flow		-31,097	32,940
Net cash and cash equivalents 1 July	43	62,337	29,397
Net cash flow		-31,097	32,940
Net cash and cash equivalents 30 June	43	31,240	62,337

Notes to the separate financial statements of Ernst & Young Nederland LLP

In thousands of euros, unless stated otherwise

29 Financial year

A financial year consists of 52 or 53 weeks and therefore the year-end date differs from year to year. The financial year 2018/2019 (52 weeks) started on 30 June 2018 and ended on 28 June 2019 and the financial year 2017/2018 (52 weeks) started on 1 July 2017 and ended on 29 June 2018. Accordingly, references to 30 June 2019 must be read as references to 28 June 2019 and references to 30 June 2018 must be read as references to 29 June 2018.

30 Accounting policies

30.1 Basis of preparation

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

The separate financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which have been measured at fair value.

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

The functional currency of EYNL is the euro. The financial statements are presented in euros and all amounts are rounded to the nearest thousand (€000), unless stated otherwise.

30.2 Changes in accounting policy and disclosures

Reference is made to Note 2.3 of the consolidated financial statements.

30.3 Summary of significant accounting policies

Reference is made to the summary in Note 2.4 of the consolidated financial statements for information on significant accounting policies.

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

31 Standards issued but not yet effective

Reference is made to Note 3 of the consolidated financial statements.

32 Significant accounting judgments, estimates and assumptions

Reference is made to Note 4 of the consolidated financial statements.

33 Other income

Other income relates to expenses charged to EYA, EYAN, EYB and other subsidiaries. These expenses include other employee expenses, premises, office expenses, IT expenses, finance expenses and income and other expenses.

In thousands of euros, unless stated otherwise

34 Operating expenses

34.1 Employee benefits expenses

	2018/2019	2017/2018
Salaries and bonuses	34,830	29,037
Social security charges	4,781	4,038
Pension contributions	4,835	4,178
Mobility expenses	4,073	3,657
Other staff expenses	1,100	730
	49,619	41,640

Salaries and bonuses include vacation allowance.

The average number of staff (excluding members) in full time equivalents (FTE) during the year was:

FTE	2018/2019	2017/2018
Client serving staff	3	4
Support staff	504	460
	507	464

34.2 Other operating expenses

	2018/2019	2017/2018
Premises expenses	22,579	22,876
Other staff expenses	4,293	2,990
Office expenses	7,231	10,100
IT expenses	4,539	5,144
International EY charges	318	800
Fees charged to subsidiaries	-1,500	-1,500
Other expenses	15,720	16,279
	53,180	56,689

Premises expenses includes lease payments recognized as operating lease expense of €17.3 million (2017/2018: €16.9 million).

IT expenses includes lease payments recognized as operating lease expenses of €0.3 million (2017/2018: €0.3 million).

Auditors' remuneration of €218,500 (2017/2018: €213,600) is included in other expenses. Of this amount, €179,000 (2017/2018: €169,000) was charged in respect of the partnership and the consolidated financial statements and €39,500 (2017/2018: €39,500) for various other audit services.

In thousands of euros, unless stated otherwise

35 Finance income and expenses**35.1 Finance income**

	2018/2019	2017/2018
Interest on bank balances and deposits	69	321
Interest on (un)billed receivables held by subsidiaries	5,756	8,421
Other interest and similar income	3,002	-264
	8,827	8,478

35.2 Finance expenses

	2018/2019	2017/2018
Interest on loans granted by current and retired members	2,191	2,435
Interest on current and retired members' current account balances	438	722
Total interest paid to current and retired members	2,629	3,157
Finance charges payable under finance leases	80	59
Unwinding of discount on provisions and loans	769	754
Other interest and similar expense	201	107
	3,679	4,077

36 Income tax expense

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

There are no direct equity movements on which current or deferred tax is computed. There are no recognized or unrecognized losses available for relief.

In thousands of euros, unless stated otherwise

37 Intangible assets

	Software
At 1 July 2017	-
Additions	100
Amortization	-28
At 30 June 2018	72
Additions	-
Amortization	-33
At 30 June 2019	39
Cost	100
Accumulated amortization	-28
At 30 June 2018	72
Cost	100
Accumulated amortization	-61
At 30 June 2019	39

In thousands of euros, unless stated otherwise

38 Property, plant and equipment

	Capital expenditure in rented properties	Fixtures and fittings, computers	Total
At 1 July 2017	16,211	6,406	22,617
Acquisitions	-	-	-
Additions	1,353	5,706	7,059
Disposals	-75	-20	-95
Depreciation	-2,285	-2,431	-4,716
At 30 June 2018	15,204	9,661	24,865
Acquisitions	196	21	217
Additions	4,557	3,549	8,106
Disposals	-40	-53	-93
Depreciation	-2,669	-3,250	-5,919
At 30 June 2019	17,248	9,928	27,176
Cost	52,677	31,145	83,822
Accumulated depreciation and impairments	-36,466	-24,739	-61,205
At 1 July 2017	16,211	6,406	22,617
Cost	51,927	36,252	88,179
Accumulated depreciation and impairments	-36,723	-26,591	-63,314
At 30 June 2018	15,204	9,661	24,865
Cost	47,913	35,769	83,682
Accumulated depreciation and impairments	-30,665	-25,841	-56,506
At 30 June 2019	17,248	9,928	27,176

As at 30 June 2019, there are contractual obligations for purchasing property, plant and equipment for an amount of €0.2 million (as at 30 June 2018: €3.3 million).

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

In thousands of euros, unless stated otherwise

39 Investments in subsidiaries

	Country of incorporation	Equity interest	
		30 June 2019	30 June 2018
Direct subsidiaries			
Ernst & Young Accountants LLP	United Kingdom	100%	100%
EY Advisory Netherlands LLP	United Kingdom	100%	-
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	100%	100%
Indirect through subsidiaries			
Ernst & Young Participaties B.V.	The Netherlands	100%	100%
Ernst & Young VAT Rep B.V.	The Netherlands	100%	100%
Ernst & Young Actuarissen B.V.	The Netherlands	100%	100%
Ernst & Young CertifyPoint B.V.	The Netherlands	100%	100%
GS Participation Ltd	United Kingdom	100%	100%
Ernst & Young Real Estate Advisory Services B.V.	The Netherlands	100%	100%
EY-Parthenon B.V.	The Netherlands	100%	100%
Centre B.V.	The Netherlands	-	100%
EY Montesquieu Finance B.V.	The Netherlands	100%	100%
EY Montesquieu Institutional Risk Management B.V.	The Netherlands	100%	100%
EY VODW B.V.	The Netherlands	100%	-

The share of profit from investments is as follows:

	2018/2019	2017/2018
Ernst & Young Accountants LLP	71,485	76,134
EY Advisory Netherlands LLP	6,383	-
Ernst & Young Belastingadviseurs LLP	67,308	62,433
	145,176	138,567

On 1 April 2019, Ernst & Young Participaties Coöperatief U.A. has four members, previously three members. The members have equal voting rights.

On 16 July 2018, Ernst & Young Participaties B.V. acquired 100% of the shares of VODW Marketing & Management Consultants B.V. After the acquisition the name has been changed to EY VODW B.V. (EY VODW).

On 1 July 2018, the activities from Centre B.V. were transferred to Ernst & Young Accountants LLP. Centre B.V. was liquidated on 1 April 2019.

In thousands of euros, unless stated otherwise

On 2 January 2019, EY Advisory Netherlands LLP was incorporated. On 1 April 2019, the transaction advisory services and advisory activities were transferred from Ernst & Young Accountants LLP to the new entity EY Advisory Netherlands LLP. On the same date, the activities of Ernst & Young Real Estate Advisory Services B.V. were also transferred to EY Advisory Netherlands LLP.

On 21 December 2017, the name Parthenon-EY B.V. was changed in EY-Parthenon B.V.

40 Other non-current and current financial assets

	Effective interest rate	Maturity (financial year)	30 June 2019	30 June 2018
Non-current				
Loans granted to subsidiaries	5.0%	2020	-	152
			-	152
Current				
Foreign exchange forward contracts	-	2019	-	82
Loans granted to subsidiaries	5.0%	2020	152	152
			152	234

Loans granted to subsidiaries

The loans granted to subsidiaries are as follows:

Subsidiary	Principal amount	Effective interest rate	Maturity (financial year)	30 June 2019	30 June 2018
Ernst & Young Actuarissen B.V.	760	5.0%	2020	152	304
				152	304

Foreign exchange forward contracts

The amount reflects the positive fair value of foreign exchange forward contracts that are not designated in hedge relationships. Refer to note 51.1 for further information.

41 Other receivables

	30 June 2019	30 June 2018
Other receivables	202,867	111,121
Tax receivables	-	2,441
	202,867	113,562

41.1 Other receivables

Other receivables are net of expected credit losses (ECL).

In thousands of euros, unless stated otherwise

The movement in the allowance for expected credit losses was as follows:

	2018/2019	2017/2018
At 1 July calculated under IAS 39	-19	-63
Amounts restated through opening retained earnings	-	-
Opening loss allowance as at 1 July 2018 (IFRS 9)	-19	-
Charge for the year	-28	-
Release of unused amounts	-	44
Written off	-	-
At 30 June	-47	-19

The comparative figures for provision for impairment refers to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9, which is an expected loss model. Based on the performed analysis, no adjustment has to be made on the provision for impairment of the other receivables per 1 July 2018.

In the separate statement of profit or loss a loss of €28,000 (2017/2018 a gain of: €44,000) has been recognized under other operating expenses.

The information about the credit exposures is disclosed in Note 51.2

Receivables from related parties are included in other receivables. For further information regarding related parties reference is made to Note 52.

42 Prepayments

	30 June 2019	30 June 2018
Profit-share advances paid to current members	61,229	59,606
Other prepayments	5,903	6,628
	67,132	66,234

43 Cash and cash equivalents

	30 June 2019	30 June 2018
Cash at banks and in hand	31,240	62,337
	31,240	62,337

In thousands of euros, unless stated otherwise

44 Trade and other payables

	30 June 2019	30 June 2018
Amounts due to current and retired members	50,570	48,930
Trade payables	19,742	15,721
Taxes and social security	34,814	1,195
Other financial liabilities	1,617	1,632
Other payables	15,659	14,214
	122,402	81,692

Trade payables are normally settled on 30-day terms.

Amounts due to current and retired members are current account balances. Amounts drawn by current members as advances on the profit share are presented as prepayments.

Further details regarding the other financial liabilities are included in Note 46.

Payables from related parties and strategic alliance are included in trade payables. For further information regarding related parties reference is made to Note 52.

45 Interest-bearing loans and borrowings

Reference is made to Note 18 of the consolidated financial statements.

46 Other financial liabilities

	30 June 2019	30 June 2018
Other financial liabilities at amortized costs		
Deferred income	9,668	9,849
	9,668	9,849
With a term < 1 year	1,617	1,632
With a term > 1 year	8,051	8,217
	9,668	9,849

Deferred income

Deferred income as at 30 June 2019 mainly relates to the lease incentives regarding office leases. The amount regarding to the next financial year is included in the Trade and other payables, see Note 44.

Changes in financial liabilities arising from financing activities

All movements during 2018/2019 were non-cash movements.

During 2017/2018 an amount of €77,000 was repaid on other financial liabilities. The other movements were non-cash movements.

In thousands of euros, unless stated otherwise

47 Provisions

	Premises	Drawing rights of current members	Total
At 1 July 2017	4,450	6,349	10,799
Additions	100	18	118
Payments	-934	-1,255	-2,189
Amounts released	-282	-	-282
Unwinding of discount	67	259	326
At 30 June 2018	3,401	5,371	8,772
Additions	437	-	437
Payments	-957	-1,350	-2,307
Amounts released	-74	-469	-543
Unwinding of discount	21	207	228
At 30 June 2019	2,828	3,759	6,587
With a term < 1 year	1,159	1,322	2,481
With a term > 1 year	2,242	4,049	6,291
At 30 June 2018	3,401	5,371	8,772
With a term < 1 year	707	568	1,275
With a term > 1 year	2,121	3,191	5,312
At 30 June 2019	2,828	3,759	6,587

Premises

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

The provisions for vacant office buildings and dilapidation costs are calculated at present value using a discount rate of 0.10% for lease contracts ending within 6 years (30 June 2018: 0.59%) and 0.35% for lease contracts with a term of 6 years or longer (30 June 2018: 0.98%).

Drawing rights of current members

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

The obligation is recognized at the best estimate of the expected payments upon retirement of the respective partners, using actuarial assumptions and discounted at a pre-tax rate of 5.0% (30 June 2018: 5.0%).

In thousands of euros, unless stated otherwise

48 Employee benefits

	30 June 2019	30 June 2018
Current liabilities		
Payments to be made to staff	2,445	2,331
Defined benefit pension plan	84	-
Salary payments during absence	1,212	530
Provision for long-service awards	139	56
	3,880	2,917
Non-current liabilities		
Payments to be made to staff	2,856	2,461
Defined benefit pension plan	1,462	1,275
Salary payments during absence	19	22
Provision for long-service awards	466	473
	4,803	4,231

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

48.1 Defined contribution pension plan

For a description of the pension schemes of EYNL, reference is made to Note 2.4.

EYNL is only required to pay the agreed fixed contribution to Aegon Cappital to build up a capital for the individual participants. After payment of the agreed fixed contribution EYNL does not have any further obligation to Aegon Cappital or its employees in this respect. In addition, EYNL pays a non-pensionable supplement to the salary in the coming years to the employees who were employed as per 30 June 2018. This payment is related to age and not to service time.

The total amount of the defined contribution plan charged to profit or loss during the financial year was €4.8 million (2017/2018: €4.2 million).

48.2 Defined benefit pension plan

For a description of the pension schemes of EYNL, reference is made to Note 2.4.

Due to changes in the pension scheme per 1 July 2018, the defined benefit (DB) obligation for the pension accrual during prepension period was formed in 2018/2019.

In thousands of euros, unless stated otherwise

Considering the relative small size of this obligation, disclosures are limited to those below.

	DB obligation to pension accrual during prepension period	DB obligation to index paid-up entitlements	Total
At 1 July 2017	-	1,395	1,395
Interest cost	-	22	22
Current Service cost	-	-	-
Benefits paid	-	-	-
Actuarial (gains)/losses on obligation	-	-142	-142
At 30 June 2018	-	1,275	1,275
Addition	455	-	455
Interest cost	-	20	20
Current Service cost	-	-	-
Benefits paid	-	-	-
Actuarial (gains)/losses on obligation	-	-204	-204
At 30 June 2019	455	1,091	1,546
With a term < 1 year	84	-	84
With a term > 1 year	371	1,091	1,462
	455	1,091	1,546

The principal assumptions use for DB obligation to pension accrual during prepension period are:

	30 June 2019	30 June 2018
Discount rate	0.04%	-
General salary increase	2.0%	-
Inflation	2.0%	-
Likelihood of leaving:		
▶ 50-54	6.0%	-
▶ 55-59	3.0%	-
▶ 60-62	0.0%	-

In thousands of euros, unless stated otherwise

The principal assumptions use for DB obligation to index paid-up entitlements are:

	30 June 2019	30 June 2018
Discount rate	1.7%	1.6%
General salary increase	0.0%	0.0%
Inflation	0.3%	0.3%
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2016 Forecast tables of the Dutch Actuarial Association

The total amount of defined benefit obligation charged to profit during the financial year was €0.02 million (2017/2018: €0.02 million). The actuarial gain of the current year of €0.20 million (2017/2018: a gain of €0.14 million) is recognized in other comprehensive income.

48.3 Salary payments during absence

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

The movements in the provision were as follows:

	2018/2019	2017/2018
At 1 July	552	93
Additions	1,241	635
Payments	-357	-153
Released	-205	-23
Unwinding of discount	-	-
At 30 June	1,231	552

	30 June 2019	30 June 2018
With a term < 1 year	1,212	530
With a term > 1 year	19	22
	1,231	552

In thousands of euros, unless stated otherwise

The principal assumptions used for the provision for supplementary disability benefits under the WIA are:

	30 June 2019	30 June 2018
Discount rate	1.8%	1.8%
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2016 Forecast tables of the Dutch Actuarial Association

48.4 Provision for long-service awards

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

The movements in the provision were as follows:

	2018/2019	2017/2018
At 1 July	529	504
Additions	144	111
Payments	-78	-95
Released	-	-
Unwinding of discount	10	9
At 30 June	605	529

	30 June 2019	30 June 2018
With a term < 1 year	139	56
With a term > 1 year	466	473
	605	529

The principal assumptions used are:

	30 June 2019	30 June 2018
Discount rate	1.8%	1.8%
Factor for attrition, mortality and disability	19.2%	19.2%
Future salary increase	2.1%	2.1%

In thousands of euros, unless stated otherwise

49 Members' capital

Reference is made to Note 22 of the consolidated financial statements.

50 Reserves

50.1 Result for the financial year

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

50.2 Retained earnings

This reserve relates mainly to the settlement of drawing rights in the 2006/2007 and 2008/2009 financial years to former members and partners, which will be settled in annual installments in the period to 2026 (7 years) with the then profit-sharing members. It also includes the present value of the arrangements made in 2008/2009 for drawing rights of members eligible in that year. The amount of contributions and other amounts for this received from EYGS on behalf of EY Europe is deducted from the reserve.

The retained earnings also include the settlement of goodwill and onerous contracts and the actuarial gains and losses arising on defined benefit pension plans.

50.3 Movements

Reference is made to the statement of changes in equity.

51 Financial instruments

51.1 Hedging activities and derivatives

Reference is made to Note 24.1 of the consolidated financial statements.

51.2 Financial instruments risk management objectives and policies

EYNL's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables, including amounts owed to and receivable from current and retired members. The main purpose of these financial liabilities is to finance the EYNL's operations.

EYNL's principal financial assets include trade and other receivables and cash that arise from normal commercial activities. EYNL also holds investments in debt and equity instruments and enters into derivative transactions.

EYNL does not use financial instruments for speculative activities and complex financial instruments are avoided.

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises primarily from financial assets, including deposits with banks and amounts due from members.

In thousands of euros, unless stated otherwise

EYNL maintains procedures to minimize the risk of default. Credit risk is not covered by credit insurance or other credit instruments. The other financial assets are regularly monitored.

EYNL's maximum exposure to credit risk for the components of the statement of financial position at 30 June 2019 and 30 June 2018 is the carrying amounts presented in Notes 41 and 43. Due to the nature of these receivables no or very limited risk applies. Amounts due from members are recovered from the current year's profit distribution or otherwise contractually reclaimed from the members.

For other receivables measured at amortized costs an impairment analysis is performed at each reporting date. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are determined for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is determined for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The impairment analysis is made on an individual basis and is based on invoice categories, ageing, and if available information from the credit control department. For a movement schedule of the allowance for expected credit loss reference is made to Note 41.

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

Liquidity risk

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

In thousands of euros, unless stated otherwise

The maturity profile of the undiscounted contractual payments, including interest, arising from EYNL's financial liabilities at year-end, is as follows:

	<u>< 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Year ended 30 June 2019					
Interest-bearing loans and borrowings:					
- Contractual payments	9,226	12,201	29,367	44,387	95,181
- Interest payments	1,828	1,382	1,978	66	5,254
Trade and other payables	122,402	-	-	-	122,402
	133,456	13,583	31,345	44,453	222,837
Year ended 30 June 2018					
Interest-bearing loans and borrowings:					
- Contractual payments	13,794	10,248	30,902	44,243	99,187
- Interest payments	2,135	1,541	2,005	69	5,750
Trade and other payables	81,692	-	-	-	81,692
	97,621	11,789	32,907	44,312	186,629

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. Capital expenditure on cars is funded by operating leases, the personal computers are finance lease. The other main source of financing capital expenditure is funding supplied by current and retired members.

Interest rate risk

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

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

A fixed rate of interest is paid on long-term loans granted by current and retired members. A variable rate of interest is only paid on one loan granted by current and retired members. The interest on current account liabilities to current and retired members is assessed and set quarterly.

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

In thousands of euros, unless stated otherwise

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

	Increase/ decrease	2018/2019	2017/2018
	in basis points		
Effect on profit before tax	+15	47	94
Effect on profit before tax	-15	-47	-94

Foreign currency risk

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

EYNL manages its foreign currency risk by hedging US dollar payments that are expected to occur within a maximum 12-month period.

If the US dollar exchange rate were to change by 10%, the impact on profit or loss would be €49,000 (2017/2018: €369,000) as a result of changes in the carrying amount of US dollar-denominated cash and amounts receivable/payable. If the pound sterling exchange rate were to change by 10%, the impact on profit or loss would be €8,000 (2017/2018: €49,000) as a result of changes in the carrying amount of pound sterling-denominated cash and amounts receivable/payable.

51.3 Other notes

Reconciliation of classes and categories

As of 1 July 2018, all presented groups of financial assets, except other non-current financial assets, are part of the category debt instruments measured at amortized cost (until 30 June 2018: loans and receivables measured at amortized cost). The financial assets in other non-current financial assets are in the category equity instruments designated at FVOCI and measured at fair value (until 30 June 2018: the available-for-sale category and are measured at fair value, if they can be measured reliably, or otherwise at cost).

All presented groups of financial liabilities are part of the loans and borrowings category, measured at amortized cost.

Fair values

Initially, financial instruments are measured at fair value. Subsequently, the financial instruments are measured at fair value or amortized cost, depending on the classification of the financial instruments.

In thousands of euros, unless stated otherwise

During 2017/2018 EYNL entered into a forward contract of USD 5.6 million, fair value as at 30 June 2018 is €0.1 million.

EYNL assessed that the fair values of cash, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

- ▶ EYNL assessed, based on a discounted cash flow (DCF) model, that cash, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.
- ▶ Long-term fixed-rate receivables are evaluated by EYNL using parameters such as interest rates, individual creditworthiness of the borrower and the risk characteristics of the financed project. Based on this evaluation, no impairment has been deemed necessary to recognize expected losses on these receivables. At 30 June 2019 and 30 June 2018, the carrying amounts of these receivables approximated their fair value.
- ▶ EYNL enters into derivative financial instruments with a financial institution with investment grade credit ratings. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs.
- ▶ The fair value of fixed-rate borrowings and obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. At 30 June 2019 and 30 June 2018, the carrying amounts of these payables approximated their fair value.

Fair value assessment of the above mentioned financial assets and liabilities is of a level 2-type.

52 Related parties and strategic alliance

52.1 Related parties

The financial statements include the financial information of EYNL and the direct and indirect subsidiaries listed in Note 39.

Transactions and balances

Under IFRS 10, an investor controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Board of EY Europe has assessed the arrangements between EY Europe and EYNL and considered that EY Europe's own exposure to variable returns from EYNL arising from those arrangements is not sufficient to meet the definition of control, despite having power over EYNL. The arrangements do give EY Europe significant influence over EYNL, so EYNL is therefore an associate of EY Europe.

In thousands of euros, unless stated otherwise

The following table provides the total amounts for which transactions were entered into during the relevant financial years and the outstanding balances at 30 June 2019 and 30 June 2018.

	2018/2019	2017/2018
Entity with significant influence over EYNL		
Sales	-	-
Purchases	-	-
Current amounts receivable at 30 June (Gross amounts)	-	-
Current amounts payable at 30 June		
Subsidiaries of EYNL		
Sales	-	-
Purchases	500	551
Current amounts receivable at 30 June (Gross amounts)	185,548	103,985
Current amounts payable at 30 June	9,020	6,234

52.2 Strategic alliance

EYB has a strategic alliance with HVG Law LLP.

The following table provides the total amounts for which transactions were entered into during the relevant financial years and the outstanding balances at 30 June 2019 and 30 June 2018.

	2018/2019	2017/2018
Sales	-	-
Purchases	1,959	1,805
Current amounts receivable at 30 June (Gross amounts)	-	-
Current amounts payable at 30 June	110	241

52.3 Terms and conditions of transactions

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

Outstanding balances at year-end are unsecured and interest-free and settlement occurs in cash. No guarantees were provided or received for any related party/strategic alliance receivable or payable.

For the year ended 30 June 2019, EYNL did not record any impairment of receivables of related parties and strategic alliance (30 June 2018: nil). An assessment is undertaken each financial year by examining the financial position of the related party/strategic alliance and the market in which it operates.

In thousands of euros, unless stated otherwise

52.4 Compensation of key management personnel of EYNL

Key management personnel are the designated members of EYNL and the members of the Supervisory Board of EYNL during the financial year. At 30 June 2019, there were 5 designated members (30 June 2018: 4) with an average during 2018/2019 of 4.1 members (2017/2018: 3.4). The designated members receive their remuneration through their professional practice companies, being a total of €4.9 million (2017/2018: €4.3 million).

The remuneration of the Supervisory Board members for 2018/2019 is a total amount of €0.3 million (2017/2018: €0.3 million).

53 Commitments and contingencies

Reference is made to Note 27 of the consolidated financial statements.

54 Events after the reporting period

After the reporting date no events occurred that need to be reported.