Financial statements

for the year ended 30 June 2020
Ernst & Young Nederland LLP

Building a better
working world

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Members' report
of Ernst & Young Nederland LLP

The members (i.e. partners) present their report and financial statements for the year ended 30 June 2020.

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 primarily active in in the Netherlands in order to optimize their shared course of business and practices and promote their joint strategy. EYNL carries out its operations primarily in the Netherlands but does not provide services to clients.
The individual entities consolidated in these accounts as of 30 June 2020 are detailed in Note 26 of the Financial Statements.

Board of Directors

The Board of Directors is led by Coen Boogaart, Chairman of EYNL. For the year ended 30 June 2020 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.

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 EY 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 2020 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.

Supervisory Board

The Supervisory Board is led by Pauline van der Meer Mohr. For the year ended 30 June 2020 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.

EY Europe appoints the members of the Supervisory Board, after binding 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 statutory 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 2020.

UK energy use and carbon emissions

EYNL has limited activities in the UK, as a result EYNL has no material emissions made and energy consumed within the UK. Therefore the thresholds as stated in the Streamlined Energy and Carbon Reporting requirements are not met.

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

C.B. Boogaart

28 September 2020

Statement of members' responsibilities of Ernst & Young Nederland LLP

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 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.

Impact of COVID-19 and going concern

The designated members have considered the impact of COVID-19 on the Group and EYNL. Given the current uncertainty regarding the future impact of the COVID-19 outbreak, measures have been taken to protect the health and safety of our employees and clients, to redeploy resources to areas where our clients currently need the most support and to reduce costs of the Group and EYNL. These measures will help mitigate the impact the COVID-19 outbreak has on the business of the Group and EYNL. The designated members' have performed a going concern assessment. In addition to the regular budgeting process, a scenario analyses is conducted to assess the expected impact COVID-19 will have on the performance and liquidity position until December 2021 of the Group and EYNL.

The three scenarios were based on market information regarding expected recoverability from the COVID-19 outbreak and mainly differ in the length and severity of the COVID-19 impact during the assessment period.

- Scenario 1 – Check mark-shaped economic recovery
- Scenario 2 – V-shaped recovery
- Scenario 3 – The second lockdown

The scenarios deal with the uncertainties that the designated members deem to be most relevant for its primary activities. These uncertainties forecast revenues, gross margins and operating income, in relation to the expected recovery from the COVID-19 outbreak. The three scenarios are based on market information, the impact has been calculated based on the Real GDP forecast issued by the ECB in September 2020.

The scenarios include a cash-flow forecast until December 2021. None of the scenarios identified a threat to applying the going concern assumption. Although future projections are inherently uncertain, the Group and EYNL does not anticipate significant changes in its activities after the period used for the scenario analyses.

One of the steps already taken during 2019/2020 was the execution of a capital call to the members, resulting in an increase of members' capital of €30.8 million and a subordinated loan held by Stichting Confidentia on behalf of the members of €11.3 million. Furthermore, where possible, the Group and EYNL cut external costs at the beginning of COVID-19 in order to manage cash flows. This action did not lead to disruption in the primary business. For example, budgets for sales and marketing activities were cut and a substantial number of training courses were performed digitally. Besides this capital call and cost cutting, extended funding arrangements were agreed with banks (additional facility of €25 million, unused per year-end 2019/2020) in order to ensure sufficient financial resources are available to meet its operational needs, even in the forecast worst case scenario which the designated members consider unlikely. Apart from the measures taken, monitoring of the unbilled receivables, accounts receivable and cash balances was more strict as of the start of COVID-19. The effects from this can be seen in these working capital balances.

Thus, the designated members have a reasonable expectation that the financial resources available to the Group and EYNL are adequate to meet its operational needs for the foreseeable future. Consequently, the going concern basis has been adopted 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 2020 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 financial statements:

- give a true and fair view of the state of Group's and the Limited Liability Partnership's affairs as at 30 June 2020 and of the Group's and the Limited Liability Partnership's its 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 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 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 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 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: 28 September 2020

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 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
Revenue			
Rendering of services	6.1	821,947	804,074
Other income	7	37,817	28,315
		859,764	**832,389**
Operating expenses			
Services provided by foreign EY member firms and third parties	8.1	123,225	118,160
Employee benefits expenses	8.2	380,411	376,867
Amortization of intangible assets	11	1,434	1,200
Depreciation of property, plant and equipment	12	4,854	6,180
Depreciation of right-of-use assets	13	28,513	-
Other operating expenses	8.3	173,061	177,353
		711,498	**679,760**
Operating profit		**148,266**	**152,629**
Finance income	9.1	1	291
Finance expenses	9.2	-3,958	-3,850
Profit before tax		**144,309**	**149,070**
Income tax (expense)/income	10	-751	91
Profit for the financial year		**143,558**	**149,161**
Profit attributable to members of EYNL		**143,558**	**149,161**

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

for the year ended 30 June 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
Profit for the financial year		**143,558**	**149,161**
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	68	204
Other comprehensive income for the year, net of tax		**68**	**204**
Total comprehensive income for the year, net of tax		**143,626**	**149,365**
Total comprehensive income for the year attributable to members of EYNL		**143,626**	**149,365**

Consolidated statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2020 | In thousands of euros

	Notes	30 June 2020	30 June 2019
Assets			
Non-current assets			
Intangible assets	11	24,536	26,595
Property, plant and equipment	12	22,271	28,231
Right-of-use assets	13	123,479	-
Other non-current financial assets	14	6,926	7,709
		177,212	**62,535**
Current assets			
Trade and other receivables[1]	15	252,853	291,942
Prepayments	16	87,443	68,218
Other current financial assets	14	131	20
Cash and cash equivalents		82,882	52,247
		423,309	**412,427**
Total assets		**600,521**	**474,962**
Equity and liabilities			
Current liabilities			
Trade and other payables[1]	17	154,542	197,820
Interest-bearing loans and borrowings	18	36,438	9,226
Provisions	20	1,106	3,298
Employee benefits	21	28,515	28,529
Income tax payable		1,712	1,032
		222,313	**239,905**
Non-current liabilities			
Interest-bearing loans and borrowings	18	167,482	55,111
Other non-current financial liabilities	19	731	8,051
Provisions	20	3,410	6,116
Employee benefits	21	24,448	22,460
		196,071	**91,738**
Total liabilities		**418,384**	**331,643**
Equity			
Members' capital	22	112,038	84,407
Reserves	23	70,099	58,912
Total equity		**182,137**	**143,319**
Total equity and liabilities		**600,521**	**474,962**

[1] Reclassification of 30 June 2019 amounts for comparative purposes (refer to Note 2.1).

The financial statements of Ernst & Young Nederland LLP, registered no. OC335595, were signed on 28 September 2020 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 2018	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**
Profit for the financial year	-	128,087	15,471	143,558	143,558
Other comprehensive income	-	68	-	68	68
Total comprehensive income	**-**	**128,155**	**15,471**	**143,626**	**143,626**
Profit distribution 2018/2019	-	-131,877	-562	-132,439	-132,439
Contribution of capital from members	35,598	-	-	-	35,598
Repayment on retirement	-7,967	-	-	-	-7,967
At 30 June 2020	**112,038**	**128,155**	**-58,056**	**70,099**	**182,137**

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 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
Operating activities			
Profit for the financial year		143,558	149,161
Adjustment for:			
Amortization of intangible assets	11	1,434	700
Depreciation of property, plant and equipment	12	4,854	6,180
Depreciation of right-of-use assets	13	28,513	-
Finance income and expenses	9	3,957	3,559
(Gains) losses on leases and the sale of assets	13	-257	-
Increase in employee benefits provision	21	1,988	4,265
(Decrease) in provisions	20	-2,973	-2,019
		181,074	**161,846**
Working capital adjustments:			
Decrease/(Increase) in trade and other receivables and prepayments		34,505	-31,776
(Decrease)/Increase in trade and other payables		-20,479	2,273
Income tax paid		680	528
Net cash flow from operating activities		**195,780**	**132,871**
Investing activities			
Purchase of intangible assets	11	-125	-
Disposals of intangible assets	11	750	-
Purchase of property, plant and equipment	12	-2,197	-8,106
Disposals of property, plant and equipment	12	344	93
Additions to other non-current financial assets/loans		-50	-1,006
Repayment/disposals of other non-current financial assets/loans		1,077	122
Acquisition of a subsidiary, net of cash acquired	5	-	-4,224
Interest received		-	291
Net cash flow used in investing activities		**-201**	**-12,830**
Financing activities			
Payment (to)/from members (current account)		-40,036	3,734
Prepayments to current members	16	-61,483	-61,229
Payment of profit distribution 2018/2019 (2017/2018)		-70,956	-68,649
Contributions of capital from members	22	35,598	9,065
Repayment of capital contributions on retirement	22	-7,967	-7,066
Repayment of lease liabilities	13	-30,423	-1,279
Proceeds from interest-bearing loans and borrowings	18	27,121	11,858
Repayment of interest bearing loans and borrowings	18	-13,507	-14,665
Interest paid		-3,291	-1,958
Net cash flows used in financing activities		**-164,944**	**-130,189**
Net cash flow		**30,635**	**-10,148**
Net cash and cash equivalents 1 July		52,247	62,395
Net cash flow		30,635	-10,148
Net cash and cash equivalents 30 June		**82,882**	**52,247**

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	EY Europe SCRL
▶ EY EMEIA	Ernst & Young (EMEIA) Services Limited
▶ EY Global	Ernst & Young Global Ltd
▶ EYGS	EYGS LLP
▶ EYGF	EY Global Finance, Inc.

1 Corporate information

1.1 Date of preparation

EYNL's consolidated financial statements for the year ended 30 June 2020 were approved by the Supervisory Board and EY Europe on 28 September 2020 and signed on behalf of the members by the designated members on 28 September 2020.

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 2019/2020 (53 weeks) started on 29 June 2019 and ended on 3 July 2020 and the financial year 2018/2019 (52 weeks) started on 30 June 2018 and ended on 28 June 2019. Accordingly, references to 30 June 2020 must be read as references to 3 July 2020 and references to 30 June 2019 must be read as references to 28 June 2019.

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 primarily 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. As of 1 July 2020 the names of the service lines Advisory Services and Transaction Advisory Services were changed to Consulting and Strategy and Transactions.
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 (EY Europe) has significant influence over EYNL from 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 EMEIA. EY Europe is also a member of EYNL.

1.6 Position of the members

In accordance with the contractual terms members provide certain funds to EYNL (members' capital). 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.

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, and, if any, contingent consideration resulting from business combinations which have been measured at fair value.

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.

For comparative purposes the following restatements were made to the figures of 2018/2019. As of 2019/2020, the determination of the respective amounts to be billed and payments on account at contract level has changed compared to last year, this to give a better presentation of the contract balances at customer contract level. We've revised the presentation to better align with customer contracts and underlying services. The figures of 30 June 2019 were reclassified for comparative purposes: the amounts to be billed and payments on account have both been reduced by €18.5 million.

Going concern

Given the current uncertainty regarding the future impact of the COVID-19 outbreak, measures have been taken to protect the health and safety of our employees and clients, to redeploy resources to areas where our clients currently need the most support and to reduce costs. These measures will help mitigate the impact the COVID-19 outbreak has on our business. In the context of the current uncertainties caused by COVID-19 management has, in addition to the regular budgeting process, also conducted scenario analyses to assess the expected impact COVID-19 will have on EYNL's performance and liquidity position until December 2021. The three scenarios were based on market information regarding expected recoverability from the COVID-19 outbreak and mainly differ in the length and severity of the COVID-19 impact during the assessment period.

- Scenario 1 – Check mark-shaped economic recovery
- Scenario 2 – V-shaped recovery
- Scenario 3 – The second lockdown

The scenarios deal with the uncertainties that the Board deems to be most relevant for its primary activities. These uncertainties forecast revenues, gross margins and operating income, in relation to the expected recovery from the COVID-19 outbreak. The three scenarios are based on market information, the impact has been calculated based on the Real GDP forecast issued by the ECB in September 2020.

The scenarios include a cash-flow forecast until December 2021. None of the scenarios identified a threat to applying the going concern assumption. Although future projections are inherently uncertain, EYNL does not anticipate significant changes in its activities after the period used for the scenario analyses.

One of the steps already taken during 2019/2020 was the execution of a capital call to the members, resulting in an increase of members' capital of €30.8 million and a subordinated loan held by Stichting Confidentia on behalf of the members of €11.3 million. Furthermore, where possible, EYNL cut external costs at the beginning of COVID-19 in order to manage cash flows. This action did not lead to disruption in the primary business. For example, budgets for sales and marketing activities were cut and a substantial number of training courses were performed digitally. Besides this capital call and cost cutting, management agreed on extended funding arrangements with banks (additional facility of €25 million, unused per year-end 2019/2020) in order to ensure sufficient financial resources are available to meet its operational needs, even in the forecast worst case scenario which the management consider unlikely. Apart from the measures taken, monitoring of the unbilled receivables, accounts receivable and cash balances was more strict as of the start of COVID-19. The effects from this can be seen in these working capital balances.

Thus, the designated members have a reasonable expectation 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.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of EYNL and its subsidiaries as at 30 June 2020. 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, 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

New and amended standards and interpretations

In 2019/2020 EYNL applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of the adoption of this new accounting standard are described below.

Several other amendments and interpretations apply for the first time in 2019/2020, 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 16 Leases

IFRS 16 supersedes 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*. The standard 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.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify all leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where EYNL is the lessor.

Transition to IFRS 16

EYNL adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. Therefore, EYNL did not restate comparative information.

EYNL elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, EYNL applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. EYNL also elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’). EYNL elected, for assets that are generally not subleased by the primary lessee, to use the recognition exemption for contracts for which the underlying asset is of low value (‘low-value assets’).

In thousands of euros, unless stated otherwise

The effect of adoption of IFRS 16

The effect of the adoption of IFRS 16 as at 1 July 2019 (increase/(decrease)) is as follows:

	1 July 2019
Assets	
Right-of-use assets	121,585
Property, plant and equipment	-2,958
Prepayments	-3,857
Total assets	**114,770**
Liabilities	
Interest-bearing loans and borrowings	-125,429
Other financial liabilities	7,900
Provisions	2,078
Trade and other payables	681
Total liabilities	**-114,770**

EYNL has lease contracts for various items of office buildings, cars and mobile devices. Before the adoption of IFRS 16, EYNL classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to note 2.4 for the accounting policies related to leases.

Upon adoption of IFRS 16, EYNL applied a single recognition and measurement approach for all leases for which it is the lessee, except for short-term leases and certain leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by EYNL.

Leases previously classified as finance leases

EYNL did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019, which relate to leases of mobile devices.

Leases previously accounted for as operating leases

At the date of initial application, EYNL recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and certain leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019.

Practical expedients applied

In applying IFRS16 for the first time, EYNL also applied the following practical expedients:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;

In thousands of euros, unless stated otherwise

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases of mobile devices with a lease term that ends within 12 months of the date of initial application of 1 July 2019;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	€000
Operating lease commitments as at 30 June 2019	167,643
Payments related to non-lease components included in operating lease commitments as at 30 June 2019	-41,846
Other	-174
Nominal lease payments to determine lease liability	125,623
Effect of discounting	-194
Discounted lease payments of leases previously classified as operating leases	**125,429**
Commitments relating to leases previously classified as finance leases	3,010
Lease liabilities as at 1 July 2019	**128,439**
Weighted average incremental borrowing rate as at 1 July 2019	0.03%

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.

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.

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.

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 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 conditional 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.

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 6 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.

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 of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. 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.
The estimated useful life of the capital expenditure in rented properties is determined based on the contractual lease term.

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: accounting policy applicable as of 1 July 2019 (IFRS 16)

EYNL assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

EYNL as a lessee

EYNL applies a single recognition and measurement approach for a portfolio of leases with reasonably similar characteristics, except for short-term leases and certain leases of low-value assets. EYNL recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

EYNL recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, the estimate of costs to be incurred by EYNL in restoring the office to the condition required by the terms and conditions of the lease and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

▸ Office buildings	5-10 years
▸ Cars	2-5 years
▸ Mobile devices	1-3 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in the section Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, EYNL recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by EYNL and payments of penalties for terminating the lease, if the lease term reflects EYNL exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, EYNL uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate represents the rate EYNL would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain the asset of similar value to the leased asset in a similar economic environment.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

EYNL's lease liabilities are included in Interest-bearing loans and borrowings (see Note 18).

Short-term leases and leases of low-value assets

EYNL applies the short-term lease recognition exemption to its leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option (short-term leases). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

EYNL as a lessor

EYNL acts as lessor through entering into a limited number of subleases related to office buildings, cars and mobile devices. In those contracts, EYNL is the primary contract party for the head lease and subsequently subleases these assets both to the strategic alliance and to third parties. Where EYNL has entered into subleases, EYNL accounts for its interests in the head lease and the sublease separately.

When EYNL acts as a lessor, it determines at lease inception whether the lease classifies as a finance or operating lease. Leases in which EYNL does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Almost all leases with third parties in which EYNL is a lessor classify as operating leases.

Assets subject to operating leases are presented according to the nature of the underlying asset in the statement of financial position (e.g. right-of-use assets). Rental income arising from an operating lease is accounted for on a straight-line basis over the lease term and is included in other income. Contingent rents are recognized as revenue in the period in which they are earned.

Finance leases result in the recognition of a net investment in a lease representing the right to receive rent income. The net investment in a lease is valued at the present value of future rent payments to be received, discounted using the incremental borrowing rate of the head lease.

Leases: accounting policy applicable up to 30 June 2019 (IAS 17)
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.

EYNL as a lessee

Finance leases

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.

Operating leases

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.

EYNL as a lessor

Leases in which EYNL does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in Other income. Contingent rents are recognized as revenue in the period in which they are earned.

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 CGU's 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.

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 of IFRS 15 are initially measured at the transaction price as disclosed in the section Rendering of services. All other financial assets are initially measured at 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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. Financial assets classified and subsequently measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and subsequently measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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 the periods presented EYNL only has financial assets categorized as Financial assets at amortized cost and Financial assets designated at fair value through OCI with no recycling.

Financial assets at amortized cost (debt instruments)

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.

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.

Impairment of financial assets

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.

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.

ii) Financial liabilities

Initial recognition and measurement of financial liabilities

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.

EYNL's 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.

Subsequent measurement of financial liabilities

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit and loss relates to the contingent considerations in a business combination. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

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

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to EYNL. 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.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

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.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position and the statement of cash flows comprise cash at banks and on hand. All cash and cash equivalents are at the free disposal of EYNL.

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.

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

EYNL has a 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 defined contribution 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 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 plan, 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.

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.

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.

Repayments of principal amounts of interest-bearing loans and borrowings, including lease liabilities, are included in the financing cash flow. 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.

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.

For these standards and interpretations EYNL reasonably expects that they will not 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.

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.

Impact of COVID-19 on the financial statements

The COVID-19 outbreak has significantly increased uncertainties regarding the performance of EYNL's business and economic activity in general. As the outbreak evolves management has to apply judgment to determine the impact COVID-19 would have both on short-term and long-term performance of EYNL. The areas in which judgment has to be applied to determine the impact of COVID-19 are:

- Impact on future cash flows included within value in use calculations used in impairment calculations; and
- Assumptions regarding the forward looking component included in expected credit losses on trade receivables.

Reference is made to the respective disclosures on impairment testing of goodwill (Note 11) and provision for expected credit losses (Note 15 and 24).

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 member, considering historical experience with the client and other (economic) conditions.

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 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.

Determining the lease term of contracts with renewal and termination options – EYNL as lessee
EYNL determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

EYNL has several lease contracts that include extension and termination options. EYNL applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination option. After the commencement date, EYNL reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

EYNL has not included the renewal period as part of the lease term for leases of offices (with one exception) based on EYNL's periodically assessed strategic office plan. For the applicable termination option, EYNL has determined it not reasonably certain that the termination option would not be executed. In addition, the renewal options for leases of cars are not included as part of the lease term because EYNL typically leases cars for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Lease classification – EYNL as lessor

EYNL has entered into subleasing arrangements in relation to office space it leases, but which is prolonged not in use. Furthermore, EYNL subleases cars and mobile devices to its subsidiaries and the strategic alliance. EYNL has determined, based on an evaluation of the terms and conditions of the arrangements, whether it retains all the risks and rewards incidental to ownership of the respective office space, cars and mobile devices. The evaluation considers factors such as whether the lease term constitutes a major part of the economic life of the head lease and whether the present value of the minimum lease payments amounts to substantially all of the fair value of the right-of-use asset. Furthermore it considers whether other factors in the arrangement results in the fact that risks and rewards are transferred to the lessee. EYNL determined that two of its subleases of office space and the subleases of cars and mobile devices to subsidiaries classify as finance leases, other subleases classify as operating leases.

Pension plan

The contractual arrangements laid down in the pension plan, the agreements with Aegon Cappital 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 they are regarded as separate plans and do 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.

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

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 15.

Provision for professional indemnity

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

Employee benefits

Bonuses and payments to employees are 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.

Leases - Estimating the incremental borrowing rate

For those leases in which EYNL cannot readily determine the interest rate implicit in the lease it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that EYNL would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what EYNL ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. EYNL estimates the IBR using observable inputs (i.e. the EUR risk-free rate based on government bond yields) and is required to make certain entity-specific adjustments (such as adjustments lessees specific credit rate) as well as lease specific adjustments.

Estimation of uncertainties relating to the COVID-19 outbreak

The COVID-19 outbreak has increased uncertainties regarding the significant estimates related to impairment of non-financial assets and provision for expected credit losses and amounts to be billed, but has not resulted in new significant estimates for EYNL. Reference is made to the respective disclosures on impairment of non-financial assets in Note 11 and on provision for expected credit losses in Note 15.

In thousands of euros, unless stated otherwise

5 Business combinations

Acquisitions in 2019/2020
There were no acquisitions during 2019/2020.

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.

In thousands of euros, unless stated otherwise

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.

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.

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.

	2019/2020	2018/2019
Service line		
Assurance Services	343,065	338,958
Tax Services	253,151	242,551
Advisory Services	152,140	147,575
Transaction Advisory Services	73,591	74,990
	821,947	**804,074**

As of 1 July 2020 the names of the service lines Advisory Services and Transaction Advisory Services were changed into Consulting and Strategy and Transactions.

	2019/2020	2018/2019
Market segment		
Financial Services / Growth markets	199,881	192,899
Telecom, Media & technology	97,064	94,007
Consumer Product & Retail	83,569	84,336
Life Science & Healthcare	73,966	71,454
Government & Public Sector	56,527	62,278
Energy & Resources	52,032	53,979
Real Estate, Hospitality & Construction	47,579	49,652
Advanced Manufacturing & Mobility	99,391	93,963
Private Equity	39,521	33,561
Other	72,417	67,945
	821,947	**804,074**

In the comparative figures, the 2019/2020 market segment classification is used. As a result, a reclassification has taken place for the comparative figures. The category 'Other' includes mainly revenues from customers not yet classified, EY member firms and other market segments.

6.2 Contract balances and performance obligations

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

In thousands of euros, unless stated otherwise

	Notes	30 June 2020	30 June 2019
Trade receivables	15	130,912	148,772
Amounts to be billed[1]	15	87,452	102,290
Payments on account[1]	17	-54,900	-56,114

[1] Reclassification of 30 June 2019 amounts for comparative purposes (refer to Note 2.1).

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, these advances are included in the payments on account.

Amounts to be billed are recognized as 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.

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

The decrease in trade receivables and amounts to be billed is mainly due to tightened and more strictly applied credit control procedures. At 30 June 2020 €2.9 million was recognized as a provision for expected credit losses on trade receivables (30 June 2019 : €1.6 million).

An amount of €52.3 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 €3.5 million of revenue is recognized in the reporting period from performance obligations (partially) satisfied in previous periods (2018/2019: €6.8 million).

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

	2019/2020	2018/2019
Charges made to other entities within the EY network	37,527	28,120
Income from subleasing	290	-
Other	-	195
	37,817	**28,315**

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

	2019/2020	2018/2019
Salaries and bonuses	269,566	261,455
Social security charges	40,827	38,163
Pension contributions	26,913	26,965
Mobility expenses	28,091	40,357
Other staff expenses	15,014	9,927
	380,411	**376,867**

Salaries and bonuses include holiday allowance.

In 2018/2019 Mobility expenses included car lease payments recognized as operating lease expenses of €19.7 million. Refer to Note 13 for the current year lease expenses under IFRS 16.

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

FTE	2019/2020	2018/2019
Client serving staff	3,797	3,746
Support staff	528	527
	4,325	**4,273**

8.3 Other operating expenses

	2019/2020	2018/2019
Premises expenses	7,182	21,714
Other staff expenses	19,035	20,467
Office expenses	9,489	11,116
IT expenses	37,172	32,541
International EY charges	62,652	60,304
Net foreign exchange gains and losses	240	251
Other expenses	37,291	30,960
	173,061	**177,353**

In 2018/2019 Premises expenses included lease payments recognized as operating lease expense of €18.3 million and IT expenses included lease payments recognized as operating lease expense of €0.3 million. Refer to Note 13 for the current year lease expenses under IFRS 16.

In thousands of euros, unless stated otherwise

Auditors' remuneration of €0.3 million (2018/2019: €0.3 million) is included in other expenses. Of these amounts, €0.3 million (2018/2019: €0.2 million) was charged in respect of the audit of the financial statements of all entities and an amount of €0.03 million (2018/2019: €0.04 million) for various other audit services.

9 Finance income and expenses

9.1 Finance income

	2019/2020	2018/2019
Interest on bank balances and deposits	-	52
Interest income on loans and receivables	1	239
	1	**291**

9.2 Finance expenses

	2019/2020	2018/2019
Interest on loans granted by current and retired members	1,971	2,191
Interest on current and retired members' current account balances	424	438
Total current and retired members interest expenses	2,395	2,629
Interest expenses on lease agreements	336	80
Unwinding of discount on provisions and loans	745	826
Other interest and similar expense	482	315
	3,958	**3,850**

10 Income tax (expense)/income

	2019/2020	2018/2019
Income tax: current financial year	-771	98
Income tax: previous financial year	20	-7
	-751	**91**

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:

	2019/2020	2018/2019
Profit before tax	144,309	149,070
Tax (FY20: 17.75%-25%, FY19: 19.5%-25%)	-32,496	-34,458
Tax on partnership profits borne personally by the members	31,725	34,556
Tax (expense)/income by subsidiaries	**-771**	**98**

11 Intangible assets

	Customer relationships/ Brand names	Goodwill	Software	Total
At 1 July 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**
Additions	-	-	125	125
Disposals	-	-	-750	-750
Amortization	-883	-	-551	-1,434
At 30 June 2020	**3,916**	**20,474**	**146**	**24,536**
Cost	5,590	17,733	1,850	25,173
Accumulated amortization	-2,715	-	-734	-3,449
At 1 July 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**
Cost	8,317	20,474	920	29,711
Accumulated amortization	-4,401	-	-774	-5,175
At 30 June 2020	**3,916**	**20,474**	**146**	**24,536**

Acquisitions

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

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the relevant LLP, EYA (€1.4 million) or EYAN (€19.1 million) as being the CGU for impairment testing. In relation to COVID-19 many countries, including the Netherlands, have required businesses to limit or suspend operations and implemented travel restrictions and quarantine measures, which have adversely affected economic activity and disrupted many businesses. Value in use calculations are performed for each CGU using cash flow projections and are based on the most recent financial budgets. Expectations are formed in line with performance to date and experience. Based on the annual impairment testing, management determined that the value in use of each of the CGUs significantly exceeded its carrying value.

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, which are already reflective of the adverse COVID-19 impact observed in the first half of 2020. 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
As the COVID-19 outbreak is still evolving in many countries it is challenging to predict the actual impact it will have on EYNL's business going forward. Given this uncertainty, management has considered three additional scenarios to forecast revenues, gross margins and operating income, in relation to the expected recovery from the COVID-19 outbreak, which was based on market information available at the balance sheet date. Based on these scenarios, 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 2020 and 30 June 2019.

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 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**
Adoption of IFRS 16	-	-2,958	-2,958
Additions	1,020	1,176	2,196
Disposals	-341	-3	-344
Depreciation	-2,733	-2,121	-4,854
At 30 June 2020	**15,905**	**6,366**	**22,271**
Cost	53,443	36,790	90,233
Accumulated depreciation and impairments	-37,221	-26,837	-64,058
At 1 July 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**
Cost	51,355	30,973	82,328
Accumulated depreciation and impairments	-35,450	-24,607	-60,057
At 30 June 2020	**15,905**	**6,366**	**22,271**

Refer to Note 2.3 for information regarding the adoption of IFRS 16.

As at 30 June 2020, there are no contractual obligations for purchasing property, plant and equipment (as at 30 June 2019: €0.2 million).

Further details of the acquisitions in 2018/2019 are included in Note 5.

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

13 Leases

EYNL as a lessee

EYNL has lease contracts for various assets such as office buildings, cars and mobile devices used in its operations. Leases of office buildings generally have lease terms between 5 and 10 years, cars generally have lease terms between 2 and 5 years, and mobile devices generally have lease terms between 1 and 3 years, all from the commencement date of the lease. EYNL's obligations under its leases are secured by the lessor's title to the leased assets. Generally, EYNL has the unrestricted option to assign and sublease the leased assets to related parties and group entities.

In thousands of euros, unless stated otherwise

There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

EYNL also has certain leases of cars and office equipment with lease terms of 12 months or less and leases of office equipment with low value. EYNL applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Right-of-use assets

Set out below, are the carrying amounts of EYNL's right-of-use assets and the movements during the period:

	Office buildings	Cars	Mobile devices	Total
At 1 July 2019	-	-	-	-
Adoption of IFRS 16	96,163	20,171	5,251	121,585
Additions	15,228	15,234	296	30,758
Depreciation	-14,792	-11,087	-2,634	-28,513
Disposals	-98	-253	-	-351
At 30 June 2020	**96,501**	**24,065**	**2,913**	**123,479**

Interest-bearing loans and borrowings

Refer to Note 24 for the maturity table of interest-bearing loans and borrowings, which includes the lease liabilities.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	30 June 2020	30 June 2019
At 1 July	3,010	4,209
Adoption of IFRS 16	125,429	-
Additions	30,758	-
Accretion of interest	336	80
Payments	-30,759	-1,279
Terminations	-253	-
At 30 June	**128,521**	**3,010**

In thousands of euros, unless stated otherwise

	Office buildings	Cars	Mobile devices	Total
<1 year	15,782	9,327	2,183	27,292
1-2 Years	14,552	7,120	654	22,326
2-5 years	40,181	7,397	-	47,578
> 5 years	31,325	-	-	31,325
At 30 June 2020	**101,840**	**23,844**	**2,837**	**128,521**

Of the outstanding amount per 30 June 2019 €1.2 million has a term of less than 1 year; €1.2 million has a term of 1-2 years and €0.6 million has a term of 2-5 years.

Guarantees totaling some €0.8 million (2018/2019: €0.8 million) have been issued for lease commitments.

The following amounts are recognized in the statement of profit or loss:

	2019/2020
Depreciation expense of right-of-use assets	-28,513
Interest expense on lease liabilities	336
Expenses related to short-term leases (included in Employee benefits expenses and Other operating expenses)	-222
Income from subleasing right-of-use assets	290
Variable lease payments	-21
Total amount recognized in profit or loss	**-28,130**

EYNL had total cash outflows for leases of €30.4 million in 2019/2020. EYNL also had non-cash additions to right-of-use assets and lease liabilities of €30.8 million in 2019/2020. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 27 .

Extension and termination options

EYNL has several lease contracts that include extension and termination options. These options are negotiated by EYNL to provide flexibility in managing the leased-asset portfolio and mainly relates to the more significant locations of EYNL. EYNL exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4). Lease contracts are often modified before being extended.

EYNL as a lessor

EYNL has entered into operating leases as intermediate lessor on leased assets with respect to certain offices buildings, cars and mobile devices. These subleases have terms of between 1 and 5 years. Most leases are with related parties and agreed upon at arms' length principles. Furthermore, certain additional office space is subleased to third parties, some of these subleases classify as operating leases, whereas others classify as finance leases. Long-term excessive capacity is subleased to third parties where possible. All leases in which EYNL acts as lessor include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions, as such resulting in a potential yearly indexation. None of the leased assets for which EYNL acts as a lessor are owned by EYNL, further diminishing the risks associated with any rights retained in the underlying assets.

In thousands of euros, unless stated otherwise

Operating leases

Below the maturity analysis of lease payments is included for operating leases, showing the undiscounted lease payments to be received after balance sheet date:

	2019/2020
Within one year	17
After one year but not more than five years	8
More than five years	-

Finance leases

The net investment in the finance lease as included in the Other (non-)current financial assets is as follows:

	2019/2020
At 1 July 2019	**-**
Additions	355
Interest accretion	-
Repayments	-50
Closing carrying amounts	**305**

	30 June 2020
With a term < 1 year	81
With a term > 1 year	224
Carrying amount at the end of the year	**305**

Future minimum undiscounted rentals receivable under non-cancellable finance leases as at 30 June 2020 are as follows:

	2019/2020
2020/2021	81
2021/2022	81
2022/2023	81
2023/2024	62
Total undiscounted rental income receivable	**305**
Unearned finance income	-
Net investment in leases	**305**

In thousands of euros, unless stated otherwise

EYNL has recognized the following amounts in the statement of profit and loss related to its subleases:

	2019/2020
Operating subleases	
Rental income (fixed payments)	33
Finance lease	
Selling profit (loss)	257
Total income from subleasing	**290**

14 Other non-current and current financial assets

	30 June 2020	30 June 2019
Non-current		
Equity instruments	6,684	7,691
Lease receivables (see Note 13)	224	-
Loans granted to current members	18	18
	6,926	**7,709**
Current		
Lease receivables (see Note 13)	81	-
Loans granted to employees	50	20
	131	**20**

As at 30 June 2020 and 30 June 2019, 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%). During 2019/2020 an amount of €1.0 million was repaid regarding the investment EMEIA Fusion LP.

Equity investments in non-listed companies are classified and measured as Equity instruments designated at fair value through other comprehensive income (FVOCI). Refer to Note 24.2 for further information.

In thousands of euros, unless stated otherwise

15 Trade and other receivables

	30 June 2020	30 June 2019
Trade receivables	130,912	148,772
Amounts to be billed[1]	87,452	102,290
Other receivables	34,489	40,880
	252,853	**291,942**

[1] Reclassification of 30 June 2019 amounts for comparative purposes (refer to Note 2.1).

15.1 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.

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 2020 for these receivables is €2.9 million (30 June 2019: €1.6 million).

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

	2019/2020	2018/2019
At 1 July	-1,619	-2,174
Charge for the year	-2,098	-387
Release of unused amounts	-	-
Written off	818	942
At 30 June	**-2,899**	**-1,619**

In the consolidated statement of profit or loss a loss of €2.1 million (2018/2019: €0.4 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 24.1.

15.2 Amounts to be billed

As at 30 June 2020, EYNL has amounts to be billed of €87.5 million (30 June 2019: €102.2 million) which is net of an allowance for expected credit losses (ECL) of €0.2 million (30 June 2019: €0.3 million). Due to immateriality no movement schedule of ECL is disclosed.

In thousands of euros, unless stated otherwise

In the consolidated statement of profit or loss a loss of €0.1 million (2018/2019: €0.1 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.

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 24.1.

15.3 Other receivables

Other receivables are net of expected credit losses (ECL). The total amount of ECL as at 30 June 2020 for these receivables is €0.2 million (30 June 2019: €0.5 million).

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

	2019/2020	2018/2019
At 1 July	-452	-1,496
Charge for the year	-	-73
Release of unused amounts	235	1,117
Written off	-	-
At 30 June	**-217**	**-452**

In the consolidated statement of profit or loss a gain of €0.2 million (2018/2019: €1.0 million) has been recognized under other operating expenses.

The information about the credit exposures is disclosed in Note 24.1.

16 Prepayments

	30 June 2020	30 June 2019
Profit-share advances paid to current members	61,483	61,229
Other prepayments	25,960	6,989
	87,443	**68,218**

In thousands of euros, unless stated otherwise

17 Trade and other payables

	30 June 2020	30 June 2019
Amounts due to current and retired members	10,533	50,570
Trade payables	10,753	22,918
Taxes and social security	44,772	44,290
Payments on account[1]	54,900	56,114
Other financial liabilities	648	1,617
Other payables	32,936	22,311
	154,542	**197,820**

[1] Reclassification of 30 June 2019 amounts for comparative purposes (refer to Note 2.1).

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

	Interest rate	Maturity (financial year)	30 June 2020	30 June 2019
Current				
Loans granted by current and retired members	4.0%	2021	9,146	8,001
Lease obligations	0-2.9%	2021	27,292	1,225
			36,438	**9,226**
Non-current				
Loans granted by current and retired members	3.4%	2022-2026	56,639	44,170
Private loan to finance settlement of drawing rights	5.0%	Up to 2049	9,614	9,156
Lease obligations	0-2.9%	2022-2025	101,229	1,785
			167,482	**55,111**

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

During 2019/2020 it was decided to make an additional capital call to the members which resulted in a subordinated loan of €11.3 million and an additional increase of the members' capital of €30.8 million (see Note 22) .

According to the clawback regulation one-sixth of the total profit share 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 during 2019/2020, a 3.0% loan of €5.3 million (2018/2019: € 4.4 million) was issued originating from unpaid profit distribution and an amount of €0.3 million (2018/2019: €0.08 million) loans held by Stichting Confidentia 2004 was converted into new 3.0% loans.The fair value of the (new) loan equals the book value of the converted loan amounts.

Per 30 June 2020, the total amount of loans related to the clawback regulation is €18.2 million (30 June 2019: €12.9 million).

The loans are repayable according to the following schedule:

	Interest rate	In €000
Unsubordinated loans		
31 December 2020	4.00%	9,146
31 December 2021	4.00%-4.25%	6,094
31 December 2022	3.25%-4.25%	9,425
31 December 2023	3.00%-4.25%	10,813
31 December 2024	3.00%	13,682
31 December 2025	3.00%	5,295
Subordinated loans		
31 March 2025	4.00%	11,330

Private loan to finance settlement of drawing rights

On behalf of Ernst & Young Europe LLP, EYGF has committed loans for a total amount of €98.9 million to finance the settlement of drawing rights in 2008/2009. The amortized cost of the remaining 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).

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 2019/2020, the interest charge due to application of the amortized cost method amounts to €0.5 million (2018/2019 €0.4 million).

In thousands of euros, unless stated otherwise

Lease obligations

Further details on the lease obligations are included in Note 13.

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**
Cash flows					
Repayments	-5,506	-8,001	-29,198	-1,225	-43,930
Proceeds	27,121	-	-	-	27,121
Non-cash flows					
Additions	-	-	30,758	-	30,758
Interest accruing	458	-	-	-	458
Adoption of IFRS 16	-	-	125,429	-	125,429
Terminations	-	-	-253	-	-253
Non-current amounts becoming current	-9,146	9,146	-27,292	27,292	-
At 30 June 2020	**66,253**	**9,146**	**101,229**	**27,292**	**203,920**

19 Other financial liabilities

	30 June 2020	30 June 2019
Other financial liabilities		
Deferred income	1,379	9,668
	1,379	**9,668**
With a term < 1 year	648	1,617
With a term > 1 year	731	8,051
	1,379	**9,668**

In thousands of euros, unless stated otherwise

Deferred income

Deferred income as at 30 June 2020 mainly consist of incentives related to a facility services contract. The amount at 30 June 2019 included amounts related to the lease incentives regarding office leases. Refer to Note 2.3 for further information regarding the adoption of IFRS 16.

The amount relating to the next financial year is included in the Trade and other payables, see Note 17.

Changes in financial liabilities arising from financing activities

All movements during 2019/2020 and 2018/2019 were non-cash movements.

20 Provisions

	Professional indemnity	Premises	Drawing rights of current members	Total
At 1 July 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**
Adoption of IFRS 16	-	-2,078	-	-2,078
Additions	746	-	-	746
Payments	-703	-	-802	-1,505
Amounts released	-1,261	-446	-509	-2,216
Unwinding of discount	-	1	154	155
At 30 June 2020	**1,413**	**501**	**2,602**	**4,516**
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**
With a term < 1 year	533	145	428	1,106
With a term > 1 year	880	356	2,174	3,410
At 30 June 2020	**1,413**	**501**	**2,602**	**4,516**

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.

Premises

Provision for vacant office buildings

Due to the adoption of IFRS 16 this provision is no longer applicable but is reflected in the right-of-use asset at date of initial application. It was formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but unoccupied. Refer to Note 2.3 for further information regarding the adoption of IFRS 16.

Provision for decommissioning costs

This provision relates to the expected cost of returning rented offices to their original condition when they are vacated. The provision for decommissioning costs is calculated at present value using a discount rate of 0.17% for lease contracts ending within 6 years (30 June 2019: 0.10%) and of 0.3% for lease contract with a term of 6 years or longer (30 June 2019: 0.35%).

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 2019: 5.0%).

In thousands of euros, unless stated otherwise

21 Employee benefits

	30 June 2020	30 June 2019
Current liabilities		
Payments to be made to staff	22,228	23,800
Defined benefit pension plan	328	250
Salary payments during absence	4,519	2,302
Provision for long-service awards	473	519
Remuneration for acquisitions	967	1,658
	28,515	**28,529**
Non-current liabilities		
Payments to be made to staff	19,042	17,150
Defined benefit pension plan	2,176	2,315
Salary payments during absence	35	58
Provision for long-service awards	3,195	2,937
	24,448	**22,460**

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

Remuneration for acquisitions relates to the amounts to be paid within one year to the previous shareholders/partners of the acquired entities/businesses for the agreed retention considerations. 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.

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 €26.5 million (2018/2019: €26.6 million).

21.2 Defined benefit pension plan

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

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

In thousands of euros, unless stated otherwise

	DB obligation to pension accrual during prepension period	DB obligation to index paid-up entitlements	Total
At 1 July 2018	-	1,275	1,275
Addition	1,474	-	1,474
Interest cost	-	20	20
Actuarial (gains)/losses on obligation	-	-204	-204
At 30 June 2019	**1,474**	**1,091**	**2,565**
Addition	90	-	90
Interest cost	1	19	20
Benefits paid	-124	-	-124
Actuarial (gains)/losses on obligation	21	-68	-47
At 30 June 2020	**1,462**	**1,042**	**2,504**
With a term < 1 year	328	-	328
With a term > 1 year	1,134	1,042	2,176
At 30 June 2020	**1,462**	**1,042**	**2,504**

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.

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

	30 June 2020	30 June 2019
Discount rate	0.07%	0.04%
General salary increase	2.0%	2.0%
Inflation	2.0%	2.0%
Likelihood of leaving:		
▸ 50-54	6.0%	6.0%
▸ 55-59	3.0%	3.0%
▸ 60-62	0.0%	0.0%

In thousands of euros, unless stated otherwise

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

	30 June 2020	30 June 2019
Discount rate	0.9%	1.7%
General salary increase	0.0%	0.0%
Inflation	0.3%	0.3%
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2018 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 (2018/2019: €0.02 million). The actuarial gain of the current year of €0.05 million (2018/2019: a gain of €0.20 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:

	2019/2020	2018/2019
At 1 July	2,360	1,211
Additions	5,570	2,912
Payments	-1,970	-1,298
Released	-1,406	-466
Unwinding of discount	-	1
At 30 June	**4,554**	**2,360**

	30 June 2020	30 June 2019
With a term < 1 year	4,519	2,302
With a term > 1 year	35	58
	4,554	**2,360**

In thousands of euros, unless stated otherwise

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

	30 June 2020	30 June 2019
Discount rate	0.5%	1.8%
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2018 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:

	2019/2020	2018/2019
At 1 July	3,456	3,153
Additions	922	738
Payments	-722	-490
Released	-23	-2
Unwinding of discount	35	57
At 30 June	**3,668**	**3,456**

	30 June 2020	30 June 2019
With a term < 1 year	473	519
With a term > 1 year	3,195	2,937
	3,668	**3,456**

The principal assumptions used are:

	30 June 2020	30 June 2019
Discount rate	1.0%	1.8%
Factor for attrition, mortality and disability	19.6%	19.5%
Future salary increase	2.4%	2.4%

In thousands of euros, unless stated otherwise

22 Members' capital

	30 June 2020	30 June 2019
Capital contribution by members	**112,038**	**84,407**
	112,038	**84,407**

The movements were as follows:

	2019/2020	2018/2019
At 1 July	84,407	82,408
Contributions	35,598	9,065
Repayment on retirement	-7,967	-7,066
At 30 June	**112,038**	**84,407**

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

	30 June 2020	30 June 2019
Number of members		
EYA	94	95
EYAN	59	59
EYB	82	78
EYNL	**235**	**232**
Members retired in financial year	12	16
Number of profit-sharing partners	**247**	**248**
Capital contribution (in € million)		
EYA	45.1	35.2
EYAN	27.4	21.2
EYB	39.5	28.0
EYNL	**112.0**	**84.4**

Each member is required to make a capital contribution to EYNL according to a capital-contribution method that is equal for all members. During 2019/2020 it was decided to make an additional capital call to the members which resulted in an additional increase of the members' capital of €30.8 million and a subordinated loan of €11.3 million (see Note 18) .

In accordance with the clawback regulation, some members have opted for an allotment of (part of) their capital contribution. A total amount of €11.1 million (30 June 2019: €10.3 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 presented separately 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 (6 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 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 Financial instruments risk management objectives and policies

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

EYNL has not entered into derivative transactions and 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 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.

In thousands of euros, unless stated otherwise

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 2020 and 30 June 2019. Although management noted that in the last quarter of 2019/2020 historic credit losses have not gone up, management has increased the expected credit loss rates for trade receivables considering the increased financial uncertainty arising from the COVID-19 outbreak. In addition, specific credit risk provisions have been recognized for clients with special COVID-19 payment arrangements, as these have been identified as having a significantly increased credit risk. This has resulted in a charge of €2.1 million as impairment provision, of which €0.9 million related to COVID-19 impact.
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 15.1 and 15.2.

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 2020 and 30 June 2019:

30 June 2020	**Gross carrying amount**	**Expected credit loss rate**	**Allowance for ECL**
Trade receivables			
Not due	74,589	0.25%	187
<30 days	29,978	0.52%	156
30-90 days	16,845	3.19%	538
90-180 days	3,993	8.97%	358
180-365 days	6,895	14.37%	991
>365 days	1,511	44.28%	669
	133,811	**2.17%**	**2,899**
Amounts to be billed	**87,669**	**0.25%**	**217**
	221,480		**3,116**

In thousands of euros, unless stated otherwise

30 June 2019	Gross carrying amount	Expected credit loss rate	Allowance for ECL
Trade receivables			
Not due	106,670	0.21%	225
<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	**102,545**	**0.12%**	**255**
	252,936		**1,874**

For a movement schedule of the allowance for expected credit loss reference is made to Note 15.1.

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 15.3. 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.

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 15.3.

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. All cash and cash equivalents are at the free disposal of EYNL.

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:

	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Year ended 30 June 2020					
Interest-bearing loans and borrowings:					
- Lease liabilities	27,284	22,333	48,155	31,358	129,130
- Other interest-bearing loans and borrowings	11,278	7,920	48,678	45,374	113,250
Trade and other payables	154,542	-	-	-	154,542
	193,104	**30,253**	**96,833**	**76,732**	**396,922**
Year ended 30 June 2019					
Interest-bearing loans and borrowings:					
- Lease liabilities	1,279	1,252	563	-	3,094
- Other interest-bearing loans and borrowings	9,775	12,331	30,782	44,453	97,341
Trade and other payables	197,820	-	-	-	197,820
	208,874	**13,583**	**31,345**	**44,453**	**298,255**

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. The other main source of financing capital expenditure is funding supplied by current and retired members. EYNL has sufficient credit facilities with financial institutions.

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 related to lease contracts 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	2019/2020	2018/2019
	in basis points	€000	€000
Effect on profit before tax	+15	124	78
Effect on profit before tax	-15	-124	-78

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.

If the US dollar exchange rate were to change by 10%, the impact on profit or loss would be €2.8 million (2018/2019: €0.8 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 €0.2 million (2018/2019: €0.1 million) as a result of changes in the carrying amount of pound sterling-denominated cash and amounts receivable/payable.

24.2 Other notes

Reconciliation of classes and categories

All presented groups of financial assets, except other non-current financial assets, are part of the category debt instruments 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.

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

Fair values

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 2020 and 30 June 2019, contingent considerations resulting from business combinations are measured at fair value.

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 2020 and 30 June 2019, 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.
- The fair value of fixed-rate borrowings and obligations under leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. At 30 June 2020 and 30 June 2019, 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 assets, such as office buildings, cars and mobile devices, are funded through leases. Working capital is managed in such a manner that in principle no other external bank needs to be called upon, other than for seasonal patterns, 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 order to strengthen the working capital of EYNL and the underlying entities, the Board of Directors decided during 2019/2020 to make an additional capital call to the members which resulted in an increase of members’ capital of €30.8 million and a subordinated loan held by Stichting Confidentia on behalf of the members of €11.3 million. As a result for a number of members’ the maximum capital amount is reached.

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.

In thousands of euros, unless stated otherwise

	Country of incorporation		Equity interest
		30 June 2020	30 June 2019
Ernst & Young Accountants LLP	United Kingdom	100%	100%
EY Advisory Netherlands LLP	United Kingdom	100%	100%
Ernst & Young Belastingadviseurs LLP	United Kingdom	100%	100%
Ernst & Young Participaties Coöperatief U.A.	The Netherlands	100%	100%
Ernst & Young Participaties B.V.	The Netherlands	100%	100%
Ernst & Young VAT Rep B.V.	The Netherlands	100%	100%
Ernst & Young Actuarissen B.V.	The Netherlands	100%	100%
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%
CFORS 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%	100%

On 1 July 2019, Ernst & Young Participaties B.V. became the beneficial owner of the shares of CFORS B.V. Until 1 July 2019 Ernst & Young Participaties B.V. was only the legal owner of the shares issued and had no control over CFORS B.V.

On 1 July 2019, the activities of Montesquieu Finance B.V. and Montesquieu Institutional Risk Management B.V. were transferred to EY Advisory Netherlands LLP and Ernst & Young Actuarissen B.V. On the same date, the interim services activities of EY VODW B.V. were also transferred to EY Advisory Netherlands LLP.

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.

In thousands of euros, unless stated otherwise

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.

During 2019/2020 and 2018/2019 there were no sales to and purchases from EY Europe and respectively its legal predecessor. As at 30 June 2020 and 30 June 2019, there were no outstanding balances with EY Europe and 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 2020 and 30 June 2019.

	2019/2020	2018/2019
Sales	11,484	12,706
Purchases	10,620	9,821
Current amounts receivable at 30 June (Gross amounts)	1,050	241
Current amounts payable at 30 June	174	369

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 2020, EYNL did not record any impairment of receivables from related parties and strategic alliance (30 June 2019: €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 2020, there were 5 designated members (30 June 2019: 5) with an average during 2019/2020 of 5 members (2018/2019: 4.1). The designated members receive their remuneration

In thousands of euros, unless stated otherwise

through their professional practice companies, being a total of €6.1 million (2018/2019: €4.9 million). The remuneration of the Supervisory Board members for 2019/2020 is a total amount of €0.4 million 2018/2019: €0.3 million).

27 Commitments and contingencies

Lease commitments
EYNL has entered into long-term leases for office premises and leases for personal computers, mobile phones, copiers/printers and cars. Due to the adoption of IFRS 16 the table below only includes operational lease commitments for 2018/2019, as per the end of 2019/2020 there are no commitments for lease contracts entered into that have not yet commenced.

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**

The lease commitments relate only to the actual commitments at year-end, including any service or other charges. Future rent increases were disregarded.

Further information on Leases is included in Note 13. Refer to Note 2.3 for further information regarding the adoption of IFRS 16.

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, to a maximum of €1.9 million (2018/2019: maximum €4.1 million), payable in the next two years.

Besides, there will be additional cash payments to individual employees of acquired entities, if still employed by EY, to a maximum €0.3 million (2018/2019: maximum €1.3 million), payable in the next year.

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 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 reporting responsibility under the Dutch Anti-Money Laundering and Anti-Terrorist Financing Act (‘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 to fund the settlement of drawing rights:
- EYGF has committed loans for a total amount of €98.9 million to finance the settlement of drawing rights in 2008/2009. The repayment of the remaining 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 2020
Ernst & Young Nederland LLP

Building a better working world

Statement of profit or loss of Ernst & Young Nederland LLP

for the year ended 30 June 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
Revenue			
Rendering of services		1,836	1,362
Other income	33	117,112	112,132
		118,948	**113,494**
Operating expenses			
Services provided by foreign EY member firms and third parties		1,940	1,593
Employee benefits expenses	34.1	50,948	49,619
Amortization of intangible assets		-	33
Depreciation of property, plant and equipment	37	4,646	5,919
Depreciation of right-of-use assets	38	15,043	-
Other operating expenses	34.2	40,945	53,180
		113,522	**110,344**
Operating profit		**5,426**	**3,150**
Finance income	35.1	9,457	8,827
Finance expenses	35.2	-3,724	-3,679
Share of profit from subsidiaries	39	126,579	145,176
Profit before tax		**137,738**	**153,474**
Income tax expense	36	-	-
Profit for the financial year		**137,738**	**153,474**
Profit attributable to members of EYNL		**137,738**	**153,474**

Statement of other comprehensive income of Ernst & Young Nederland LLP

for the year ended 30 June 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
Profit for the financial year		**137,738**	**153,474**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains and (losses) on defined benefit plans	47.2	68	204
Other comprehensive income for the year, net of tax		**68**	**204**
Total comprehensive income for the year, net of tax		**137,806**	**153,678**
Total comprehensive income for the year attributable to members of EYNL		**137,806**	**153,678**

Statement of financial position of Ernst & Young Nederland LLP

as at 30 June 2020 | In thousands of euros

	Notes	30 June 2020	30 June 2019
Assets			
Non-current assets			
Intangible assets		125	39
Property, plant and equipment	37	21,424	27,176
Right-of-use assets	38	96,415	-
Investment in subsidiaries	39	27,640	26,990
Other non-current financial assets	40	14,148	-
		159,752	**54,205**
Current assets			
Other receivables	41	134,927	202,867
Prepayments	42	86,581	67,132
Other current financial assets	40	10,488	152
Cash and cash equivalents		82,732	31,240
		314,728	**301,391**
Total assets		**474,480**	**355,596**
Equity and liabilities			
Current liabilities			
Trade and other payables	43	84,002	122,402
Interest-bearing loans and borrowings	44	35,293	9,226
Provisions	46	573	1,275
Employee benefits	47	4,540	3,880
Income tax payable		-	-
		124,408	**136,783**
Non-current liabilities			
Interest-bearing loans and borrowings	44	165,910	55,111
Other non-current financial liabilities	45	731	8,051
Provisions	46	2,334	5,312
Employee benefits	47	4,860	4,803
		173,835	**73,277**
Total liabilities		**298,243**	**210,060**
Equity			
Members' capital	48	112,038	84,407
Reserves	49	64,199	61,129
Total equity		**176,237**	**145,536**
Total equity and liabilities		**474,480**	**355,596**

The financial statements of Ernst & Young Nederland LLP, registered no OC335595, were signed on 28 September 2020 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 2018	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**
Profit for the financial year	-	122,267	15,471	137,738	137,738
Other comprehensive income	-	68	-	68	68
Total comprehensive income	**-**	**122,335**	**15,471**	**137,806**	**137,806**
Profit distribution 2018/2019	-	-136,190	1,454	-134,736	-134,736
Contribution of capital from members	35,598	-	-	-	35,598
Repayment on retirement	-7,967	-	-	-	-7,967
At 30 June 2020	**112,038**	**122,335**	**-58,136**	**64,199**	**176,237**

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 2020 | In thousands of euros

	Notes	2019/2020	2018/2019
Operating activities			
Profit for the financial year		137,738	153,474
Share of profit from subsidiaries	39	-126,579	-145,176
		11,159	**8,298**
Adjustment for:			
Amortization of intangible assets		-	33
Depreciation of property, plant and equipment	37	4,646	5,919
Depreciation of right-of-use assets	38	15,043	-
Lease payments received on lease receivables		12,687	-
Finance income and expenses	35	-6,001	-5,148
(Gains) losses on leases and the sale of assets		-257	-
Increase in employee benefits provision	47	730	1,710
(Decrease) in provisions	46	-1,757	-2,409
		36,250	**8,403**
Working capital adjustments:			
(Increase)/Decrease in other receivables and prepayments		44,219	-83,865
Increase in trade and other payables		2,542	38,982
Net cash flow from operating activities		**83,011**	**-36,480**
Investing activities			
Purchase of intangible assets		-125	-
Purchase of property, plant and equipment	37	-2,197	-8,324
Disposals of property, plant and equipment	37	387	94
Repayment of other financial assets/loans		152	152
Interest received		9,725	8,827
Net cash flow from investing activities		**7,942**	**749**
Financing activities			
Payment to/from members (current account)		86,542	142,183
Prepayments to current members	42	-61,483	-61,229
Payment of profit distribution 2018/2019 (2017/2018)		-73,253	-71,246
Contributions of capital from members	48	35,598	9,065
Repayment of capital contributions on retirement	48	-7,967	-7,066
Repayment of lease liabilities	38	-29,455	-1,199
Proceeds from interest-bearing loans and borrowings	44	27,121	11,858
Repayment of interest bearing loans and borrowings	44	-13,507	-14,665
Repayment of other financial liabilities		-	-77
Interest paid		-3,057	-2,990
Net cash flows used in financing activities		**-39,461**	**4,634**
Net cash flow		**51,492**	**-31,097**
Net cash and cash equivalents 1 July		31,240	62,337
Net cash flow		51,492	-31,097
Net cash and cash equivalents 30 June		**82,732**	**31,240**

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 2019/2020 (53 weeks) started on 29 June 2019 and ended on 3 July 2020 and the financial year 2018/2019 (52 weeks) started on 30 June 2018 and ended on 28 June 2019. Accordingly, references to 30 June 2020 must be read as references to 3 July 2020 and references to 30 June 2019 must be read as references to 28 June 2019.

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 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.

Going concern

Given the current uncertainty regarding the future impact of the COVID-19 outbreak, measures have been taken to protect the health and safety of our employees and clients, to redeploy resources to areas where our clients currently need the most support and to reduce costs. These measures will help mitigate the impact the COVID-19 outbreak has on our business. In the context of the current uncertainties caused by COVID-19 management has, in addition to the regular budgeting process, also conducted scenario analyses to assess the expected impact COVID-19 will have on EYNL's performance and liquidity position until December 2021. The three scenarios were based on market information regarding expected recoverability from the COVID-19 outbreak and mainly differ in the length and severity of the COVID-19 impact during the assessment period.

- Scenario 1 – Check mark-shaped economic recovery
- Scenario 2 – V-shaped recovery
- Scenario 3 – The second lockdown

The scenarios deal with the uncertainties that the Board deems to be most relevant for its primary activities. These uncertainties forecast revenues, gross margins and operating income, in relation to the expected recovery from the COVID-19 outbreak. The three scenarios are based on market information, the impact has been calculated based on the Real GDP forecast issued by the ECB in September 2020.

The scenarios include a cash-flow forecast until December 2021. None of the scenarios identified a threat to applying the going concern assumption. Although future projections are inherently uncertain, EYNL does not anticipate significant changes in its activities after the period used for the scenario analyses.

One of the steps already taken during 2019/2020 was the execution of a capital call to the members, resulting in an increase of members' capital of €30.8 million and a subordinated loan held by Stichting Confidentia on behalf of the members of €11.3 million. Furthermore, where possible, EYNL cut external costs at the beginning of COVID-19 in order to manage cash flows. This action did not lead to disruption in the primary business. For example, budgets for sales and marketing activities were cut and a substantial number of training courses were performed digitally. Besides this capital call and cost cutting, management agreed on extended funding arrangements with banks (additional facility of €25 million, unused per year-end 2019/2020) in order to ensure sufficient financial resources are available to meet its operational needs, even in the forecast worst case scenario which the management considers unlikely. Apart from the measures taken, monitoring of the unbilled receivables, accounts receivable and cash balances was more strict as of the start of COVID-19. The effects from this can be seen in these working capital balances.

In thousands of euros, unless stated otherwise

Thus, the designated members have a reasonable expectation 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.

30.2 Changes in accounting policy and disclosures
Reference is made to Note 2.3 of the consolidated financial statements for the general description of the changes in accounting policy and disclosures.

The effect of the adoption of IFRS 16 in the separate financial statements as at 1 July 2019 (increase/(decrease)) is as follows:

	1 July 2019
Assets	
Right-of-use assets	95,550
Other non-current financial assets	22,532
Property, plant and equipment	-2,958
Prepayments	-3,620
Total assets	**111,504**
Liabilities	
Interest-bearing loans and borrowings	-121,807
Other financial liabilities	7,900
Provisions	2,078
Trade and other payables	325
Total liabilities	**-111,504**

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17, with the exception of intermediate lessor accounting for subleases. For subleases granted that transfer substantially all risks and rewards related to the right-of-use asset, the right-of-use asset is reclassified as financial asset and comprises the net investment in the finance lease. At transition date this relates to subleases for cars and mobile devices with subsidiaries.

Refer to note 2.3 of the consolidated financial statements for the other transition disclosures.

In thousands of euros, unless stated otherwise

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.

34 Operating expenses

34.1 Employee benefits expenses

	2019/2020	2018/2019
Salaries and bonuses	36,633	34,830
Social security charges	5,104	4,781
Pension contributions	4,864	4,835
Mobility expenses	3,192	4,073
Other staff expenses	1,155	1,100
	50,948	**49,619**

Salaries and bonuses include vacation allowance.

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

FTE	2019/2020	2018/2019
Client serving staff	3	3
Support staff	510	504
	513	**507**

In thousands of euros, unless stated otherwise

34.2 Other operating expenses

	2019/2020	2018/2019
Premises expenses	8,613	22,579
Other staff expenses	2,347	4,293
Office expenses	5,450	7,231
IT expenses	4,845	4,539
International EY charges	504	318
Fees charged to subsidiaries	-1,500	-1,500
Other expenses	20,686	15,720
	40,945	**53,180**

In 2018/2019 Premises expenses includes lease payments recognized as operating lease expense of €17.3 million and IT expenses includes lease payments recognized as operating lease expenses of €0.3 million. Refer to Note 38 for the current year lease expenses under IFRS 16.

Auditors' remuneration of €0.1 million (2018/2019: €0.1 million) is included in other expenses. Of this amount, €0.1 million (2018/2019: €0.1 million) was charged in respect of the partnership and the consolidated financial statements and €0.03 million (2018/2019: €0.04 million) for various other audit services.

35 Finance income and expenses

35.1 Finance income

	2019/2020	2018/2019
Interest on bank balances and deposits	7	69
Interest on (un)billed receivables held by subsidiaries	8,897	5,756
Other interest and similar income	553	3,002
	9,457	**8,827**

35.2 Finance expenses

	2019/2020	2018/2019
Interest on loans granted by current and retired members	1,971	2,191
Interest on current and retired members' current account balances	424	438
Total current and retired members interest expenses	2,395	2,629
Interest expenses on lease agreements	336	80
Unwinding of discount on provisions and loans	715	769
Other interest and similar expense	278	201
	3,724	**3,679**

In thousands of euros, unless stated otherwise

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.

37 Property, plant and equipment

	Capital expenditure in rented properties	Fixtures and fittings, computers	Total
At 1 July 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**
Adoption of IFRS 16	-	-2,958	-2,958
Additions	1,021	1,175	2,196
Disposals	-341	-3	-344
Depreciation	-2,620	-2,026	-4,646
At 30 June 2020	**15,308**	**6,116**	**21,424**
Cost	51,927	36,252	88,179
Accumulated depreciation and impairments	-36,723	-26,591	-63,314
At 1 July 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**
Cost	48,593	29,983	78,576
Accumulated depreciation and impairments	-33,285	-23,867	-57,152
At 30 June 2020	**15,308**	**6,116**	**21,424**

Refer to Note 30.2 for information regarding the adoption of IFRS 16.

As at 30 June 2020, there are no contractual obligations for purchasing property, plant and equipment (as at 30 June 2019: €0.2 million).

All 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

38 Leases

EYNL as a lessee

EYNL has lease contracts for various assets such as office buildings, cars and mobile devices used in its operations. Leases of office buildings generally have lease terms between 5 and 10 years, cars generally have lease terms between 2 and 5 years, and mobile devices generally have lease terms between 1 and 3 years, all from the commencement date of the lease. EYNL's obligations under its leases are secured by the lessor's title to the leased assets. Generally, EYNL has the unrestricted option to assign and sublease the leased assets to related parties and group entities.

There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

EYNL also has certain leases of cars and office equipment with lease terms of 12 months or less and leases of office equipment with low value. EYNL applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Right-of-use assets

Set out below, are the carrying amounts of EYNL's right-of-use assets and lease liabilities and the movements during the period:

	Office buildings	Cars	Mobile devices	Total
At 30 June 2019	-	-	-	**-**
Adoption of IFRS 16	92,709	2,053	788	95,550
Additions	15,165	16,157	296	31,618
Depreciation expense	-13,746	-901	-396	-15,043
Disposals	-98	-15,360	-252	-15,710
At 30 June 2020	**94,030**	**1,949**	**436**	**96,415**

Interest-bearing loans and borrowings

Refer to Note 50.1 for the maturity table of interest-bearing loans and borrowings, which includes the lease liabilities.

In thousands of euros, unless stated otherwise

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	30 June 2020	30 June 2019
At 1 July	3,010	4,209
Adoption of IFRS 16	121,807	-
Additions	30,694	-
Accretion of interest	336	80
Payments	-29,790	-1,279
Terminations	-253	-
At 30 June	**125,804**	**3,010**

	Office buildings	Cars	Mobile devices	Total
<1 year	14,637	9,327	2,183	26,147
1-2 Years	14,163	7,120	654	21,937
2-5 years	39,014	7,397	-	46,411
> 5 years	31,309	-	-	31,309
At 30 June 2020	**99,123**	**23,844**	**2,837**	**125,804**

Of the outstanding amount per 30 June 2019 €1.2 million has a term of less than 1 year; €1.2 million has a term of 1-2 years and €0.6 million has a term of 2-5 years.

Guarantees totaling some €0.8 million (2018/2019: €0.8 million) have been issued for lease commitments.

The following amounts are recognized in the statement of profit or loss:

	2019/2020
Depreciation expense of right-of-use assets	-15,043
Interest expense on lease liabilities	336
Expenses related to short-term leases (included in Employee benefits expenses and Other operating expenses)	-17
Income from subleasing right-of-use assets	257
Variable lease payments	-21
Total amount recognized in profit or loss	**-14,488**

EYNL had total cash outflows for leases of €29,5 million in 2019/2020. EYNL also had non-cash additions to right-of-use assets of €31.6 million, including €0.9 million transfers from finance lease receivables, and lease liabilities of €30.7 million in 2019/2020. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 52 .

In thousands of euros, unless stated otherwise

Extension and termination options

EYNL has several lease contracts that include extension and termination options. These options are negotiated by EYNL to provide flexibility in managing the leased-asset portfolio and mainly relates to the more significant locations of EYNL. EYNL exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised (see Note 32). Lease contracts are often modified before being extended.

EYNL as a lessor

EYNL has entered into subleases as intermediate lessor on leased assets with respect to office buildings, cars and mobile devices. These subleases have terms of between 1 and 5 years. Most leases are with related parties and agreed upon at arms' length principles. Subleases with subsidiaries for cars and mobile devices classify as finance leases. Furthermore, certain additional office space is subleased to third parties, which classify as finance leases.

EYNL is the primary contract party in these lease agreements. The required capacity of assets to be leased is assessed centrally by EYNL, taking into account the demand of all subsidiaries of EYNL. The subleased assets include office space, cars and mobiles devices. Due to the generic nature of the leased assets, they can be utilized within EYNL by any of its subsidiaries. If assets are no longer used by one subsidiary, EYNL deploys the asset within another subsidiary by making use of a pooling strategy. Hence, the likelihood of the assets not being utilized is limited. Long-term excessive capacity is subleased to third parties where possible. All leases in which EYNL acts as lessor include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions, as such resulting in a potential yearly indexation. None of the leased assets for which EYNL acts as a lessor are owned by EYNL, further diminishing the risks associated with any rights retained in the underlying assets.

Finance leases

The net investment in the finance lease as included in the Other (non-)current financial assets is as follows:

	2019/2020
At 1 July 2019	**-**
Adoption of IFRS 16	22,888
Reclassifications (to) from right-of-use assets	14,435
Interest accretion	268
Repayments	-12,955
Closing carrying amounts	**24,636**

	30 June 2020
With a term < 1 year	10,488
With a term > 1 year	14,148
	24,636

In thousands of euros, unless stated otherwise

Future minimum undiscounted rentals receivable under non-cancellable finance leases as at 30 June 2020 are as follows:

	2019/2020
2020/2021	10,511
2021/2022	7,162
2022/2023	4,309
2023/2024	2,451
2024/2025	228
Total undiscounted rental income receivable	**24,661**
Unearned finance income	-25
Net investment in finance leases	**24,636**

EYNL has recognized the following amounts in the statement of profit and loss related to its subleases:

	2019/2020
Operating subleases	
Rental income (fixed payments)	-
Finance lease	
Selling profit (loss)	257
Total income from subleasing	**257**
Interest income on net investment	**268**

In thousands of euros, unless stated otherwise

39 Investments in subsidiaries

	Country of incorporation	Equity interest	
		30 June 2020	30 June 2019
Direct subsidiaries			
Ernst & Young Accountants LLP	United Kingdom	100%	100%
EY Advisory Netherlands LLP	United Kingdom	100%	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%
CFORS 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%	100%

The share of profit from investments is as follows:

	2019/2020	2018/2019
Ernst & Young Accountants LLP	51,902	71,485
EY Advisory Netherlands LLP	15,755	6,383
Ernst & Young Belastingadviseurs LLP	58,922	67,308
	126,579	**145,176**

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

On 1 July 2019, Ernst & Young Participaties B.V. became the beneficial owner of the shares of CFORS B.V. Until 1 July 2019 Ernst & Young Participaties B.V. was only the legal owner of the shares issued and had no control over CFORS B.V.

On 1 July 2019, the activities of Montesquieu Finance B.V. and Montesquieu Institutional Risk Management B.V. were transferred to EY Advisory Netherlands LLP and Ernst & Young Actuarissen B.V.

In thousands of euros, unless stated otherwise

On the same date, the interim services activities of EY VODW B.V. were also transferred to EY Advisory Netherlands LLP.

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.

40 Other non-current and current financial assets

	Interest rate	Maturity (financial year)	30 June 2020	30 June 2019
Non-current				
Net investments in finance leases (see Note 38)	0-2.9%	2022-2025	14,148	-
			14,148	**-**
Current				
Net investments in finance leases (see Note 38)	0-2.9%	2021	10,488	-
Loans granted to subsidiaries	5.0%	2020	-	152
			10,488	**152**

Loans granted to subsidiaries

The loans granted to subsidiaries are as follows:

Subsidiary	Principal amount	Interest rate	Maturity (financial year)	30 June 2020	30 June 2019
Ernst & Young Actuarissen B.V.	760	5.0%	2020	-	152
				-	**152**

In thousands of euros, unless stated otherwise

41 Other receivables

	30 June 2020	30 June 2019
Other receivables	134,927	202,867
Tax receivables	-	-
	134,927	**202,867**

41.1 Other receivables

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

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

	2019/2020	2018/2019
At 1 July 2019	-47	-19
Charge for the year	-	-28
Release of unused amounts	15	-
Written off	-	-
At 30 June	**-32**	**-47**

In the separate statement of profit or loss a gain of €0.02million (2018/2019 a loss of: €0.03 million) has been recognized under other operating expenses.

The information about the credit exposures is disclosed in Note 50.1

Receivables from related parties are included in other receivables. For further information regarding related parties reference is made to Note 51.

42 Prepayments

	30 June 2020	30 June 2019
Profit-share advances paid to current members	61,483	61,229
Other prepayments	25,098	5,903
	86,581	**67,132**

In thousands of euros, unless stated otherwise

43 Trade and other payables

	30 June 2020	30 June 2019
Amounts due to current and retired members	10,533	50,570
Trade payables	16,322	19,742
Taxes and social security	35,645	34,814
Other financial liabilities	648	1,617
Other payables	20,854	15,659
	84,002	**122,402**

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 45.

Payables from related parties and strategic alliance are included in trade payables. For further information regarding related parties reference is made to Note 51.

44 Interest-bearing loans and borrowings

Reference is made to Note 18 of the consolidated financial statements and to Note 40.

45 Other financial liabilities

	30 June 2020	30 June 2019
Other financial liabilities at amortized costs		
Deferred income	1,379	9,668
	1,379	**9,668**
With a term < 1 year	648	1,617
With a term > 1 year	731	8,051
	1,379	**9,668**

Deferred income

Deferred income as at 30 June 2020 mainly consist of incentives related to a facility services contract. The amount at 30 June 2019 included amounts related to the lease incentives regarding office leases. Refer to Note 30.2 for further information regarding the adoption of IFRS 16.

The amount regarding to the next financial year is included in the Trade and other payables, see Note 43.

Changes in financial liabilities arising from financing activities

All movements during 2019/2020 and 2018/2019 were non-cash movements.

In thousands of euros, unless stated otherwise

46 Provisions

	Premises	Drawing rights of current members	Total
At 1 July 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**
Adoption of IFRS 16	-2,078	-	-2,078
Additions	-	-	-
Payments	-	-802	-802
Amounts released	-445	-509	-954
Unwinding of discount	-	154	154
At 30 June 2020	**305**	**2,602**	**2,907**
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**
With a term < 1 year	145	428	573
With a term > 1 year	160	2,174	2,334
At 30 June 2020	**305**	**2,602**	**2,907**

Premises

Provision for vacant office buildings

Due to the adoption of IFRS 16 this provision is no longer applicable but is reflected in the right-of-use asset at the date of initial application. It was formed for the rent due for the remaining term of the leases of offices, or parts of them, rented by EYNL but unoccupied. Refer to Note 30.2 for further information regarding the adoption of IFRS 16.

Provision for decommissioning costs

This provision relates to the expected cost of returning rented offices to their original condition when they are vacated. The provision for decommissioning costs is calculated at present value using a discount rate of 0.17% for lease contracts ending within 6 years (30 June 2019: 0.10%) and of 0.3% for lease contract with a term of 6 years or longer (30 June 2019: 0.35%).

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.

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 pre-tax rate of 5.0% (30 June 2019: 5.0%).

47 Employee benefits

	30 June 2020	30 June 2019
Current liabilities		
Payments to be made to staff	2,389	2,445
Defined benefit pension plan	78	84
Salary payments during absence	1,954	1,212
Provision for long-service awards	119	139
	4,540	**3,880**
Non-current liabilities		
Payments to be made to staff	2,990	2,856
Defined benefit pension plan	1,363	1,462
Salary payments during absence	15	19
Provision for long-service awards	492	466
	4,860	**4,803**

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

47.1 Defined contribution pension plan

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

The total amount of the defined contribution plan charged to profit or loss during the financial year was €4.9 million (2018/2019: €4.8 million).

47.2 Defined benefit pension plan

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

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

In thousands of euros, unless stated otherwise

	DB obligation to pension accrual during prepension period	DB obligation to index paid-up entitlements	Total
At 1 July 2018	-	1,275	1,275
Addition	455	-	455
Interest cost	-	20	20
Actuarial (gains)/losses on obligation	-	-204	-204
At 30 June 2019	**455**	**1,091**	**1,546**
Addition	-	-	-
Interest cost	-	19	19
Benefits paid	-31	-	-31
Actuarial (gains)/losses on obligation	-25	-68	-93
At 30 June 2020	**399**	**1,042**	**1,441**
With a term < 1 year	78	-	78
With a term > 1 year	321	1,042	1,363
At 30 June 2020	**399**	**1,042**	**1,441**

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.

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

	30 June 2020	30 June 2019
Discount rate	0.07%	0.04%
General salary increase	2.0%	2.0%
Inflation	2.0%	2.0%
Likelihood of leaving:		
▸ 50-54	6.0%	6.0%
▸ 55-59	3.0%	3.0%
▸ 60-62	0.0%	0.0%

In thousands of euros, unless stated otherwise

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

	30 June 2020	30 June 2019
Discount rate	0.9%	1.7%
General salary increase	0.0%	0.0%
Inflation	0.3%	0.3%
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2018 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 (2018/2019: €0.02 million). The actuarial gain of the current year of €0.09 million (2018/2019: a gain of €0.20 million) is recognized in other comprehensive income.

47.3 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:

	2019/2020	2018/2019
At 1 July	1,231	552
Additions	2,297	1,241
Adjustment	-510	-
Payments	-327	-357
Released	-722	-205
Unwinding of discount	-	-
At 30 June	**1,969**	**1,231**

	30 June 2020	30 June 2019
With a term < 1 year	1,954	1,212
With a term > 1 year	15	19
	1,969	**1,231**

In thousands of euros, unless stated otherwise

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

	30 June 2020	30 June 2019
Discount rate	0.5%	1.8%
Probability rate	Kazo 2000	Kazo 2000
Mortality rates	2018 Forecast tables of the Dutch Actuarial Association	2018 Forecast tables of the Dutch Actuarial Association

47.4 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:

	2019/2020	2018/2019
At 1 July	605	529
Additions	199	144
Payments	-199	-78
Released	-	-
Unwinding of discount	6	10
At 30 June	**611**	**605**

	30 June 2020	30 June 2019
With a term < 1 year	119	139
With a term > 1 year	492	466
	611	**605**

The principal assumptions used are:

	30 June 2020	30 June 2019
Discount rate	1.0%	1.8%
Factor for attrition, mortality and disability	19.6%	19.2%
Future salary increase	2.4%	2.1%

48 Members' capital

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

49 Reserves

49.1 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 and the Supervisory Board.

49.2 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 (6 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 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.

49.3 Movements

Reference is made to the statement of changes in equity.

50 Financial instruments

50.1 Financial instruments risk management objectives and policies

EYNL's principal financial liabilities comprise loans and borrowings, and trade and other payables, including amounts owed to and due 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.

EYNL has not enter into derivative transactions and 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 amounts due from members.

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 2020 and 30 June 2019 is the carrying amounts presented in Note 41. 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.

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. All cash and cash equivalents are at the free disposal of EYNL.

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:

	< 1 year	1 to 2 years	2 to 5 years	> 5 years	Total
Year ended 30 June 2020					
Interest-bearing loans and borrowings:					
- Lease liabilities	26,139	21,944	46,988	31,342	126,413
- Other interest-bearing loans and borrowings	11,278	7,920	48,678	45,374	113,250
Trade and other payables	84,002	-	-	-	84,002
	121,419	**29,864**	**95,666**	**76,716**	**323,665**
Year ended 30 June 2019					
Interest-bearing loans and borrowings:					
- Lease liabilities	1,279	1,252	563	-	3,094
- Other interest-bearing loans and borrowings	9,775	12,331	30,782	44,453	97,341
Trade and other payables	122,402	-	-	-	122,402
	132,177	**12,331**	**30,782**	**44,453**	**219,743**

The financing requirements of EYNL vary during the year, primarily as a result of the incidence of major payments. The other main source of financing capital expenditure is funding supplied by current and retired members. EYNL has sufficient credit facilities with financial institutions.

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 related to lease contracts 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	2019/2020	2018/2019
	in basis points	€000	€000
Effect on profit before tax	+15	124	47
Effect on profit before tax	-15	-124	-47

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.

If the US dollar exchange rate were to change by 10%, the impact on profit or loss would be €2.1 million (2018/2019: €0.05 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 €0.1 million (2018/2019: €0.01 million) as a result of changes in the carrying amount of pound sterling-denominated cash and amounts receivable/payable.

50.2 Other notes

Reconciliation of classes and categories

All presented groups of financial assets, except other non-current financial assets, are part of the category debt instruments 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.

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.

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 2020 and 30 June 2019, the carrying amounts of these receivables approximated their fair value.

In thousands of euros, unless stated otherwise

- The fair value of fixed-rate borrowings and obligations under leases is estimated by discounting future cash flows using rates currently available for debt on similar terms and remaining maturities. At 30 June 2020 and 30 June 2019, 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.

51 Related parties and strategic alliance

51.1 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.

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 2020 and 30 June 2019.

	2019/2020	**2018/2019**
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	-	-
Proceeds from other income	-	-
Purchases	390	500
Current amounts receivable at 30 June (Gross amounts)	111,381	185,548
Current amounts payable at 30 June	14,999	9,020

In thousands of euros, unless stated otherwise

51.2 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 2020 and 30 June 2019.

	2019/2020	2018/2019
Sales		-
Purchases	1,637	1,959
Current amounts receivable at 30 June (Gross amounts)	-	-
Current amounts payable at 30 June	-	110

51.3 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 2020, EYNL did not record any impairment of receivables of related parties and strategic alliance (30 June 2019: €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.

51.4 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 2020 , there were 5 designated members (30 June 2019: 5) with an average during 2019/2020 of 5 members (2018/2019: 4.1). The designated members receive their remuneration through their professional practice companies, being a total of €6.1 million (2018/2019: €4.9 million).
The remuneration of the Supervisory Board members for 2019/2020 is a total amount of €0.4 million (2018/2019: €0.3 million).

52 Commitments and contingencies

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

53 Events after the reporting period

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