Deloitte.

Financial Statements

2012

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Report to members

The Board presents its report to the members and the audited financial statements of Deloitte LLP, for the year ended 31 May 2012. The financial statements incorporate the consolidated and separate financial statements of Deloitte LLP and entities controlled by Deloitte LLP.

Executive Group

Deloitte's activities are managed by the Senior Partner and Chief Executive and the Executive Group, which is appointed by the Senior Partner and Chief Executive. In keeping with our client service focus, all members of the Executive Group are also actively engaged with our clients.

The members of the Executive Group are: **David Sproul**, Senior Partner and Chief Executive, **Steve Almond**, International Markets, **David Barnes**, Public Policy, **Sharon Fraser**, Regional Markets, **Stephen Griggs**, Finance, **Heather Hancock**, Talent and Brand, **Andy Hodge**, Tax, **Panos Kakoullis**, Audit, **Tim Mahapatra**, Corporate Finance, **Vince Niblett**, Senior Markets Group, **Richard Punt**, Growth and Markets, **Paul Robinson**, Consulting, **Nick Sandall**, Financial Services, **Stephen Ward**, Quality and Risk.

Senior Partner and Chief Executive

David Sproul, the Senior Partner and Chief Executive of Deloitte LLP, has full executive authority for the management of the firm. The Senior Partner and Chief Executive is nominated by the Board and elected by the members for a four-year term of office. David Sproul began his first term as Senior Partner and Chief Executive on 1 June 2011.

The responsibilities of the Senior Partner and Chief Executive fall under five principal headings:

- the business of Deloitte, including the development and management of services at the highest level of quality and compliance with all regulations;
- the development of policies and strategic direction;
- financial performance;
- members, including the development and management of our talent goals; and
- international, representing the UK firm's association with Deloitte Touche Tohmatsu Limited.

Board

The Board is responsible for the promotion and protection of member interests and for the oversight of the Executive Group. It approves Deloitte's long-term strategies and has specific oversight of risk and quality.

As with the Senior Partner and Chief Executive, the Chairman is nominated by the Board and elected by the members and serves a four-year term of office. David Cruickshank commenced his second term of office as Chairman on 1 June 2011. The separation of the roles of the Chairman and the Senior Partner and Chief Executive provides a strong measure of accountability for the executive team.

The current Board comprises:

David Cruickshank, **Chairman**, David Sproul, **Senior Partner and Chief Executive**, David Barnes, Zahir Bokhari, John Cullinane, Nick Edwards, John Fotheringham, Stephen Griggs, Chris Loughran, Anna Marks, Vince Niblett, Ellie Patsalos, Chris Powell, Ian Steele and Denis Woulfe. Independent Non-Executives are: Gerry Grimstone, Dr DeAnne Julius CBE and Sir Michael Peat.

Principal activity

The principal activity of Deloitte is the provision of audit, tax, consulting and corporate finance services in the United Kingdom and the Channel Islands and, through its subsidiaries, in Switzerland. In addition, corporate finance services are provided in the Middle East by a joint venture with the local Deloitte Touche Tohmatsu Limited (DTTL) member firm.

Strategy

Our vision is to be the distinctive firm, standing out from the competition through the impact we have on the reputation and success of our clients, contributing to a sustainable and prosperous society. We will achieve our vision through actions which:

- build distinctive client relationships through a deep focus on industries and private markets;
- secure market leadership in more industries, regions, platforms and services;
- enable a global approach to building client relationships and service delivery;
- create a high performance environment in which the best people thrive;

- build our brand to reinforce our client and market positioning;

- continue to embed quality and integrity across all dimensions of our firm; and

- recognise our wider role and responsibilities to act in the public interest.

Structure

Deloitte LLP is incorporated as a Limited Liability Partnership under the Limited Liability Partnerships Act 2000 and is wholly owned by its members. The principal subsidiary undertakings of Deloitte LLP are set out in note 25.

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) during the year were: Steve Almond, David Cruickshank, Margaret Ewing, Stephen Griggs, Heather Hancock, Vince Niblett, Gerry Paisley, Graham Richardson and David Sproul. All the designated members, except David Cruickshank, Gerry Paisley and Graham Richardson, served as members of the Deloitte LLP Executive Group, the most senior management committee.

Margaret Ewing and Gerry Paisley retired on 31 May 2012. Panos Kakoullis and Stephen Ward were appointed as designated members on 1 June 2012.

Business performance

The results for the year to 31 May 2012 are very positive against the backdrop of a challenging and volatile market. We continued with our obsessive focus on quality, clients and our people and I am pleased to announce, we have achieved a strong financial performance.

Our revenues were £2,329m, up over 11% on last year. The profit for the financial year distributable to members was £569m against £535m in the prior year. The average profit earned by each member in the year, after providing for pensions and annuities payable during the year to retired members, was £789,000 compared with £758,000 in the prior year.

People

Staff costs at £969m were 13% higher, reflecting an 8% increase in headcount and significant additional investment in staff during the year consistent with our progressive talent strategy.

Assets and liabilities

Total assets are £946m. Total members' interests before deducting provisions for current and retired members' annuities are £200m. Provisions for current member annuities amount to £425m and provisions for retired member annuities amount to £477m. Annuity payments to members commence when the member reaches the age of 60. The provisions are unfunded, are dependent on the future generation of profits and are capped at 8% of group profit in any financial year. Amounts provided in these accounts in respect of retired members include £263m which arises after 10 years, of which £88m is payable between 10 and 15 years and £175m is payable after 15 years.

Cash flow

Net cash inflow from operating activities for the year was £473m.

The main treasury risks relate to interest, liquidity and currency. The primary currency is Sterling but certain expenses and charges from overseas offices are denominated in other currencies. Some fees are rendered in other currencies and the foreign subsidiary undertakings have functional currencies different from that of the group. The volume and timing of currency inflows and outflows provide a natural hedge and Deloitte does not undertake formal hedging transactions. Complex financial instruments are not used and speculative activity is not undertaken.

Finance and capital structure

At the balance sheet date, fixed capital amounted to £130m, an average of £180,305 per member. Profit distributable to members is determined by the firm's equity accounts which are based on accounting policies which differ from International Financial Reporting Standards (IFRSs). The principal differences relate to the accounting treatment of annuities and pension schemes. The distributable profit for the year based on the equity accounts was £569m, the balance of which will, in accordance with the current distribution policy, be released to members in the 12 month period following the year end.

The balance of Deloitte's funding is provided by bank facilities. We continue to maintain a significant level of committed undrawn facilities, to enable us to respond rapidly to opportunities and to fund initiatives, without the need for specific financing.

Members' drawings and capital

All members are equity members and share in the profits and subscribe to the capital of Deloitte LLP. Each member's capital subscription is linked to his or her share of profit and is repaid in full on ceasing to be a member. The rate of capital subscription is determined from time to time depending upon the financing requirements of the business.

Members draw a proportion of their profit share, in 12 monthly on account instalments, during the year in which the profit is made, with the balance of their profit share, net of a tax retention, paid in instalments in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue & Customs on behalf of members with any excess being released to members as appropriate.

Members' profit sharing

Members' profit shares are based upon a comprehensive evaluation of their individual contribution to the achievement of the group's strategic objectives.

Members are assigned to an equity group, which is reviewed annually and which describes the attributes, skills and broad performance expected of them. Each equity group carries a wide band of profit sharing units so that relative contributions can be recognised.

Seven key criteria are used for assessing the performance and contribution of each member to the success of Deloitte. These are:

- **Quality**
  Each member must be a role model for quality in their professional work.

- **Talent**
  Contribution to mentoring, leading, recruitment, engagement, development and training our people.

- **Clients**
  Client portfolio managed and roles carried out.

- **Brand and Eminence**
  Market-related activity including regulatory relations, thought leadership, innovation and brand protection roles.

- **Revenue Generation, Growth, Business Building**
  Contribution to business development building and relationship building.

- **Financial Success**
  Overall contribution to the financial success of Deloitte.

- **Leadership and Management**
  Contribution to, through leadership and management roles, Deloitte's broad success.

All members are expected to be ambassadors for Deloitte externally and leaders by example to all of our employees in everything they do. Certain attributes transcend all equity groups. These are:

- unassailable integrity;
- quality service to our clients;
- the highest levels of technical excellence;
- development of people;
- compliance with the firm's policies and standards and external regulatory requirements; and
- high quality management of risk.

Members who provide audit services are expected to be responsive to their clients' service needs, however, they are not evaluated or remunerated on the selling of other services to their audit clients.

Member performance is evaluated in all designated competencies, beginning with the Board's approval of the profit sharing strategy, proposed by the Senior Partner and Chief Executive and concluding with the Board's review of the recommended profit allocation and equity group in the future for each individual member, the conclusions of which are disclosed in full to all members. A committee of members is tasked with overseeing the management process to ensure consistent and equitable treatment. The performance of each member is evaluated by means of a formal appraisal process which reviews the contribution of each member across all competencies.

Creditor payment policy

Deloitte's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure suppliers are made aware of the terms of payment and abide by the terms of payment.

Trade creditors of the group at 31 May 2012 were equivalent to 13 days' (2011: 24 days') purchases, based on the average daily amount invoiced by suppliers during the year.

Political donations

It is our policy not to give cash contributions to any political party or other groups with a political agenda. However, we do seek to develop and maintain constructive and balanced relationships with political parties and may make available partner, staff and advisor resources, and technical and factual information, on occasion.

Disclosures on such matters for companies are covered by the Political Parties, Elections and Referendums Act. Although the scope of this Act does not cover Limited Liability Partnerships, we regard it as appropriate to disclose equivalent details. For the year ended 31 May 2012, Deloitte did not make any donations to political parties.

Going concern

The financial position of the group, its cash flows and liquidity position are described above. In addition, note 23 of the financial statements provides details of the borrowing facilities and includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The group has considerable financial resources, including £433m of committed facilities, of which £278m was undrawn at 31 May 2012. The facilities comprise a three year revolving credit facility of £100m which expires in October 2013, a five year revolving credit facility of £150m which expires in December 2016, an overdraft facility of £150m which expires between 31 July 2012 and 31 December 2012 and an indefinite facility of £33m. Negotiations in respect of renewing the group's overdraft facility are well advanced and the bank has confirmed ongoing support. A formal renewal is anticipated to be completed shortly.

The group has a strong focus on working capital management and forecasts indicate that it is not dependent upon the renewal of facilities which are due for renewal within the next 12 months. In addition, we have a broad client base across each of our service lines and industry offerings. The Board believes that the group is well placed to manage its business risks successfully.

The Board, following a review of its profit and cash flow plans, has concluded, at the time of approving the financial statements, that the parent partnership and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

Principal risks and uncertainties

The business environment continues to become more complex and challenging and regular consideration of emerging, existing and changing risks is fundamental to the firm's success. During 2011 the firm refreshed its existing risk management process with the development of an Enterprise Risk Framework (ERF). The ERF sets out the Executive Group's assessment of the potential risks to the achievement of the firm's strategy and to maintaining its reputation. In reaching its assessment the Executive Group considers the interests of the economy and capital markets, our clients, our regulators, our people, other key stakeholders, our infrastructure and resources and operating environment.

Each enterprise risk is owned by a member of the Executive. The enterprise risks are included in a monthly pack distributed to the Executive Group which is updated for any changes to those enterprise risks.

Each quarter the Chief Risk Officer challenges the Executive Group's assessment of the risk profile. Every six months a full assessment of each enterprise risk is discussed at the Executive Group and Board with an annual refresh by the Executive for approval by the Board.

The ERF is being supplemented by an Assurance Framework which sets out, for each risk, mitigating, monitoring and assurance activities.

At 31 May 2012 the enterprise risks which the Executive Group and the Board consider have the most potential significant impact on the firm's reputation, if they materialised, and related key mitigations were:

Risk	Mitigation
Client service quality: the risk that there is a cultural move across the firm that reduces the current focus on quality and risk; the firm fails to comply with regulatory, legal, ethical or professional requirements on a systemic basis, or of major litigation arising from failure or negligence in the acceptance, contracting for, or performance of client work.	Established comprehensive quality policies, processes and procedures on specific regulatory, legal, ethical and professional requirements and client and engagement acceptance and delivery. Further detailed information on the firm's quality policies, process and procedures is set out in the firm's transparency report which can be accessed on the firm's website. Processes to allocate the right people to the engagement. Compulsory training for all partners and staff. A Managing Partner for Quality and Risk with Executive Group responsibility leads a firm-wide quality and risk community comprising a National Quality & Risk Management group and service line Quality & Risk groups. These groups support and advise engagement teams and monitor the firm's processes and are led and staffed by dedicated experts. Independent practice and portfolio reviews. Annual self-certification of compliance by all partners and staff. Established whistle-blowing and ethics helpline processes and reporting channels.

Principal risks and uncertainties (continued)

Risk	Mitigation
Regulatory change: the risk that the business model is impacted by changes in regulations, particularly audit regulation.	A Managing Partner, Public Policy oversees the firm's engagement with regulatory bodies and other relevant stakeholders. Establishment of a group to monitor and respond to consultations on regulatory changes. Development of stakeholder engagement plans. Proactive and constructive discussions and liaison with government and regulatory bodies.
Public interest: the risk that the firm fails to act in the public interest and support the capital markets.	Inclusion on the Board of three Independent Non-Executives (INEs) to the Board. A Public Interest Oversight Committee, which comprises the INEs, to enhance the public interest aspects of the firm's decision making, stakeholder dialogue and management of reputational risks. Regular dialogue, lead by the firm's Chairman, with investors, regulators, government representatives, audit committees, boards and company management. Development of a stakeholder engagement programme to build insights to engage with key stakeholders, internally and externally. Clear linkage between the firm's public policy position, day-to-day behaviours and the firms' broader position on the benefits it creates around governance, transparency and growth.
Member firm network: the risk that a serious failure or development in a member firm in the DTTL network causes reputational or financial damage to the UK firm.	DTTL processes to mitigate the risk of failure of a member firm and continual development of these. Member firm assessment against DTTL member firm standards. Member firm's regular reports, including full financial information, regulator's compliance and practice review results, provided to DTTL. UK representation on the DTTL Executive and Board (including Chairman of the DTTL Board).

Principal risks and uncertainties (continued)

Risk	Mitigation
Data security: the risk of loss of client or firm data.	The establishment of a Business Security Group. Implementation of IT technical solutions (including encryption and patching). Sustained raising of awareness of the risk of data loss supported by information security training and monitoring. Information security policies and processes. ISO 27001 certification and audit.
Talent: the risk of failing to fulfil the reward, performance management, career experience and leadership expectations of our people.	HR policies including fairness, diversity and equality. Performance management and career planning processes. Tailored training and development programmes. Rigorous reward process that recognises quality, ethics and performance. Enhancement of the firm's diversity agenda to sustain diversity of thinking across the firm and to enhance our talent brand.

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) Regulations 2008, require the members to prepare financial statements for each year. Under that law, the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union. The financial statements are also required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

International Accounting Standard 1, requires that financial statements present fairly for each financial year, the firm's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions and other events and conditions, in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards (IFRSs). However, members are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- 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 entity's financial position and financial performance.

The members are responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the firm and enable them to ensure that the financial statements comply with the Companies Act 2006, as applicable to limited liability partnerships. They are also responsible for safeguarding the assets of the firm and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the firm's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities are exercised by the Board on behalf of the members.

Auditor

Grant Thornton UK LLP will be proposed for reappointment.

Approved by the Board and signed on behalf of the Board

David Sproul
Senior Partner and Chief Executive
9 August 2012

Stephen Griggs
Managing Partner, Finance
9 August 2012

Report of the independent auditor to the members of Deloitte LLP

We have audited the financial statements of Deloitte LLP for the year ended 31 May 2012 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and parent LLP balance sheets, consolidated and parent LLP statements of changes in equity, consolidated and parent LLP cash flow statements and the related notes. The financial reporting framework which has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnership (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the statement of members' responsibilities set out on page 8, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent limited liability partnership's affairs as at 31 May 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Simon Lowe
Senior Statutory Auditor for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants

London
9 August 2012

Consolidated income statement
Year ended 31 May 2012

	Note	2012 £m	2011 £m
Revenue	3	2,329	2,098
Operating expenses			
Expenses and disbursements on client assignments		(379)	(322)
Staff costs	4	(969)	(859)
Depreciation and amortisation		(40)	(48)
Other operating expenses		(301)	(326)
Share of results of joint venture	18	(3)	(1)
Profit from operations	5	637	542
Other income	19	–	2
Finance income	6	44	38
Finance cost	6	(121)	(72)
Profit before tax		560	510
Tax	7	–	(1)
Profit for the financial year before provision for annuities and remuneration for current members		**560**	**509**
Provision for annuities and remuneration for current members	8	(154)	(101)
Profit for the financial year		**406**	**408**
Attributable to:			
Members as owners of parent entity	17	407	409
Non-controlling interest		(1)	(1)
		406	**408**

Reconciliation with profit distributable to members:

	2012 £m	2011 £m
Profit for the financial year based on the firm's equity accounts	604	557
Retired member annuities and other adjustments	(35)	(22)
Profit for the financial year distributable to members	569	535
Profit allocated during the financial year	(37)	(40)
Adjustments for IFRSs not adopted in the firm's equity accounts	(126)	(87)
Profit for the financial year	**406**	**408**

The profit distributable to members is determined in accordance with accounting policies which differ from IFRSs. The principal differences relate to the accounting treatment of annuities and pension schemes.

Consolidated statement of comprehensive income
Year ended 31 May 2012

	2012	2011
	£m	£m
Profit for the financial year	**406**	**408**
Other comprehensive income and expense		
Actuarial (losses)/gains on defined benefit pension schemes	(141)	27
Other comprehensive (expense)/income for the year, net of tax	**(141)**	**27**
Total comprehensive income for the financial year	**265**	**435**
Attributable to:		
Members as owners of parent entity	266	436
Non-controlling interest	(1)	(1)
	265	**435**

Balance sheets
As at 31 May 2012

	Note	Group 2012 £m	Group 2011 £m	LLP 2012 £m	LLP 2011 £m
Assets					
Non-current assets					
Property, plant and equipment	9	194	197	129	146
Intangible assets	10	36	39	7	10
Interest in joint venture	18	1	4	5	5
Financial assets and associates	11	2	2	46	46
		233	242	187	207
Current assets					
Client and other receivables	12	686	613	627	573
Cash and cash equivalents		27	10	6	1
		713	623	633	574
Total assets		**946**	**865**	**820**	**781**
Liabilities					
Current liabilities					
Trade and other payables	13	294	274	362	351
Borrowings	14	155	45	155	54
Provisions	15	36	35	36	35
Members' capital	17	7	6	7	6
		492	360	560	446
Non-current liabilities					
Retirement benefit obligation	22	297	218	196	121
Deferred taxation	16	1	1	–	–
Provisions	15	893	770	892	768
Members' capital	17	123	122	123	122
		1,314	1,111	1,211	1,011
Equity					
Members' other reserves	17	(858)	(605)	(951)	(676)
Non-controlling interests		(2)	(1)	–	–
Total liabilities and equity		**946**	**865**	**820**	**781**

Balance sheets
As at 31 May 2012

	Note	Group 2012	Group 2011	LLP 2012	LLP 2011
Members' interests					
	Note	£m	£m	£m	£m
The following balances relating to members are included in the consolidated balance sheet:					
Members' capital	17	130	128	130	128
Amounts due to members	17	26	34	80	76
Members' other reserves – current members	17	(858)	(605)	(951)	(676)
Members' interests for current members		**(702)**	**(443)**	**(741)**	**(472)**
Provision for annuities dependent upon future generation of profits					
Provision for current member annuities	15	425	350	425	350
Provision for retired member annuities	15	477	426	477	426
Total members' interests before annuities payable from future profits		**200**	**333**	**161**	**304**

The financial statements on pages 10 to 48 were approved by the Board on 9 August 2012.
Signed on behalf of the Board,

David Sproul
Senior Partner and Chief Executive

Stephen Griggs
Managing Partner, Finance

Statements of changes in equity
Year ended 31 May 2012

	Group 2012	Group 2011	LLP 2012	LLP 2011
	£m	£m	£m	£m
Members' other reserves at the start of the year	**(605)**	**(455)**	**(676)**	**(508)**
Profit for the year attributable to members	407	409	381	390
Actuarial (losses)/gains on defined benefit pension schemes	(141)	27	(137)	28
Total comprehensive income	**266**	**436**	**244**	**418**
Profit allocated to members during the year	(495)	(563)	(495)	(563)
Other transactions with members	(24)	(23)	(24)	(23)
Members' other reserves at the end of the year	**(858)**	**(605)**	**(951)**	**(676)**

Cash flow statements
Year ended 31 May 2012

	Group 2012	Group 2011	LLP 2012	LLP 2011
	£m	£m	£m	£m
Profit for the financial year	406	408	381	390
Adjustments for:				
Tax on profits	–	1	–	–
Depreciation and amortisation	40	48	30	34
Release of provision against financial assets	–	(1)	–	–
Joint venture loss	3	1	–	–
Decrease in fair value of investments	–	–	–	3
Profit on disposal of a business	–	(2)	–	–
Loss on disposal of property, plant and equipment	1	1	–	–
Finance income	(44)	(38)	(41)	(35)
Finance expense	121	72	117	68
Increase in provisions	74	72	75	73
Retirement benefit obligations	(59)	(5)	(58)	(12)
Operating cash inflows before movements in working capital	542	557	504	521
(Increase)/decrease in receivables	(73)	(29)	(54)	40
Increase in payables	25	13	7	1
Cash generated by operations	494	541	457	562
Corporate taxes paid	(21)	(19)	–	–
Net cash flow from operating activities	473	522	457	562
Investing activities				
Repayment of loans	–	1	–	1
Proceeds on disposal of businesses	–	2	–	–
Proceeds on disposal of property, plant and equipment	5	5	5	5
Acquisition of businesses	–	(8)	–	–
Purchase of property, plant and equipment	(40)	(41)	(15)	(18)
Purchase of investments	–	–	–	(5)
Net cash used in investing activities	(35)	(41)	(10)	(17)
Financing activities				
Payments to and on behalf of members	(503)	(517)	(515)	(534)
Retirement benefits paid to former members	(28)	(26)	(28)	(26)
Repayment of capital to former members	(9)	(6)	(9)	(6)
Members' capital introduced	11	7	11	7
Interest paid	(2)	(1)	(2)	(1)
Net cash used in financing activities	(531)	(543)	(543)	(560)
Net decrease in cash and cash equivalents	(93)	(62)	(96)	(15)
Cash and cash equivalents at beginning of year	(35)	27	(53)	(38)
Cash and cash equivalents at end of year	(128)	(35)	(149)	(53)
Cash and cash equivalents comprise				
Cash at bank	27	10	6	1
Bank overdraft and bank loans	(155)	(45)	(155)	(54)
	(128)	**(35)**	**(149)**	**(53)**

Notes to the financial statements
Year ended 31 May 2012

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies, except as noted below, have been consistently applied throughout the year and the preceding year.

Basis of accounting

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

As permitted by Section 408 of the Companies Act 2006, as applied to LLPs, no separate income statement is presented for the parent LLP.

In these financial statements the following standards and related amendments and interpretations to published standards are reflected for the first time. None of these has had a material impact on the financial statements of the group.

IAS 24 'Related Party Disclosures' (revised) – the revised standard has a clearer definition of a related party with inconsistencies under the previous standard removed.

IFRIC 14 'Prepayments of a Minimum Funding Requirement' (amendments) now enable recognition of an asset in the form of prepaid minimum funding contributions.

Amendment to IFRS 7 'Financial Instruments – Disclosures' clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets.

Improvements to IFRS 2010 made non-urgent but necessary amendments to standards, primarily to remove inconsistencies and to clarify wording.

Future developments

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' are effective for accounting periods beginning on or after 1 July 2012. The revised standard requires items presented in other comprehensive income to be grouped on the basis of whether or not they are potentially recycled to profit or loss.

IAS 19 'Employee Benefits' (revised) is effective for accounting periods beginning on or after 1 January 2013. The revised standard requires the immediate recognition of all actuarial gains and losses therefore eliminating the 'corridor approach'; interest cost to be calculated on the net pension liability or asset at the appropriate corporate bond rate and all past service costs to be recognised immediately, when a scheme is curtailed or amended.

Amendments to IAS 32 'Offsetting Financial Assets and Liabilities' and amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' are effective for annual periods beginning on or after 1 January 2014. The amendments add guidance on the meaning of 'a legally enforceable right to set off', on simultaneous settlement and requires disclosures facilitating comparisons between those entities reporting under IFRSs and those reporting under US GAAP.

IFRS 9 'Financial Instruments' is effective for accounting periods beginning on or after 1 January 2015 with early adoption permissible. The standard contains new requirements for accounting for financial assets and liabilities replacing the corresponding requirements in IAS 39 'Financial Instruments: Recognition and Measurement.'

The IASB has published a group of five new accounting standards on consolidation and joint arrangements. These standards become effective for accounting periods beginning on or after 1 January 2014:

IFRS 10 'Consolidated Financial Statements', replaces SIC 12 'Consolidation – Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. The new standard adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity to generate returns for the reporting entity.

IAS 27 'Separate Financial Statements' comprises those parts of the existing IAS 27 that dealt with separate financial statements.

IFRS 11 'Joint Arrangements' which supersedes IAS 31 'Interest in Joint Ventures' distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including any share of assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method.

IAS 28 'Investments in Associates and Joint Ventures' (revised) covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

IFRS 12 'Disclosures of Interests in Other Entities' covers disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

1. Accounting policies (continued)

IFRS 13 'Fair Value Measurement' is effective for accounting periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

A number of other new amendments and interpretations have been endorsed by the EU as part of adopted IFRSs, but are not yet effective.

None of these changes are expected to have a material impact on the group's financial statements. The group will continue to monitor the impact of the changes.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets.

Consolidation

The consolidated financial statements incorporate the financial statements of Deloitte LLP and entities controlled by Deloitte LLP (its subsidiaries) made up to 31 May each year. The joint venture, Ingeus UK Limited, has a year end of 31 December so the unaudited management accounts, as at 31 May 2012, are used to determine the amounts to be included.

Control is achieved where Deloitte LLP has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Board has, at the time of approving the financial statements, a reasonable expectation that Deloitte LLP has adequate resources to continue in operational existence for the foreseeable future. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Report to members on page 4.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred, or assumed by the group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date. Goodwill is recognised where the cost of the business combination exceeds the total of these fair values. Where the excess is positive, goodwill is treated as an intangible asset, subject to an annual impairment review. Where the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the excess is recognised immediately in the income statement as a bargain purchase gain.

Non-controlling interests are initially recognised at fair value and represent the non-controlling shareholder's proportion of the fair values of the identifiable assets and liabilities.

Acquisition-related costs are recognised in the income statement as incurred.

Joint ventures

Joint ventures are those entities over which the group exercises joint control through a contractual arrangement. The results, assets and liabilities of joint ventures are incorporated in the financial statements of the group using the equity method of accounting, except where the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Investments in joint ventures are initially carried in the consolidated balance sheet at cost (including any goodwill and intangible assets arising on acquisition) and are adjusted by post-acquisition changes in the group's share of the net assets of the joint ventures less any impairment in the value of individual investments. Losses in excess of the group's interest in joint ventures are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Investments in joint ventures in the LLP balance sheet are shown at cost less provision for impairment.

1. Accounting policies (continued)

Associates

Associates are those entities over which the group has significant influence, but not control over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost. The financial statements include the group's share of the total comprehensive income and equity movements of associates, from the date when significant influence commences until the date that significant influence ceases.

Revenue

Revenue represents amounts chargeable to clients for professional services provided during the year including recoverable expenses on client assignments but excluding Value Added Tax.

Services provided to clients, which at the balance sheet date have not been billed to clients, are recognised as revenue.

Revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Revenue is only recognised where the group has a contractual right to receive consideration for work undertaken and no revenue is recognised on contingent engagements until the contingent event crystallises.

Provision is made against unbilled amounts on those engagements where the right to receive payment is contingent on factors outside the control of the group. Unbilled revenue is included in client and other receivables.

Leases

Leases are classified as finance leases, whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a liability on the balance sheet and are also spread on a straight-line basis over the lease term.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the relevant functional currency at the rates ruling at that date. These translation differences are recognised in the income statement.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in pounds Sterling, which is the functional currency of Deloitte LLP and, the presentation currency for the consolidated financial statements.

The assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising on the retranslation of foreign operations are recognised in other comprehensive income and accumulated in equity.

Taxation

The taxation payable on profits of the limited liability partnership is the personal liability of the members and is not dealt with in these financial statements. A retention from profit distributions is made to fund the taxation payments on behalf of members. The tax expense represents the sum of the current and deferred tax relating to the corporate subsidiaries. The current tax expense is based on taxable profits of these companies. Taxable profit excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

Deferred tax in the subsidiaries is generally recognised, using the liability method, in respect of temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases. Deferred tax is measured at the tax rates enacted or substantively enacted at the balance sheet date and which are expected to apply in the periods in which the temporary differences reverse. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment loss. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over the estimated useful economic lives as follows:

Leasehold improvements:	Period of lease
Fixtures and fittings:	5-10 years
Computer equipment:	3-5 years
Motor vehicles:	4 years

The residual value, if not insignificant, is reassessed annually in addition to useful lives.

Intangible assets

Internally generated intangible assets are recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The direct cost of staff in the development of computer systems for the group has been capitalised as an internally generated intangible asset and is being amortised on a straight-line basis over a period of 10 years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Purchased intangible assets have been recognised as part of the fair value determination arising from business combinations referred to above. Customer relationships, brands and order books are stated at cost less accumulated amortisation. Purchased intangible assets are being amortised over a period of between 5 and 10 years, this being the estimated economic life.

Impairment of tangible and intangible assets

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

Any impairment loss in respect of goodwill is not reversed. In the case of other assets an impairment loss is reversed where there are changes in the estimated recoverable amount.

Financial assets

Financial assets are classified at initial recognition and are initially recognised as fair value. Financial assets include cash and cash equivalents, investments, client receivables, amounts due from other member firms of the Deloitte Touche Tohmatsu Limited (DTTL) organisation, including long-term loans and amounts due from members. All financial assets, other than cash and cash equivalents are classified as loans and receivables and have fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents comprise cash in hand, on demand deposits and other short-term highly-liquid investments.

1. Accounting policies (continued)

Financial liabilities

The group determines the classification of its financial liabilities at initial recognition. Financial liabilities include trade payables, amounts due to other member firms of the DTTL organisation and member capital. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest rate method. Interest cost is recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

Financial guarantees

Financial guarantees are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; or

- the amount initially recognised less, where appropriate, cumulative amortisation.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation, at the balance sheet date and, are discounted to present value where the effect is material. The increase during the period in the discounted amount, arising from the passage of time and the effect of any change in the discount rate, is charged to the income statement as a finance cost.

Retirement benefit obligations

The group operates both defined benefit and defined contribution schemes. The net deficit or surplus for the defined benefit schemes is calculated in accordance with IAS 19 'Employee Benefits', based on the present value of the defined benefit obligations at the balance sheet date less the fair value of the schemes' assets. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in other comprehensive income.

Where the actuarial valuations of the schemes demonstrate that the schemes are in surplus, the recognisable asset is limited to that from which the group can benefit in the future.

Past service cost is recognised immediately in the income statement to the extent that the benefits are already vested. Otherwise, the past service cost is amortised on a straight-line basis over the average period until the benefits become vested.
The group's payments to the defined contribution pension schemes are charged to the income statement as they fall due.

Members' remuneration

Remuneration to certain members which arises from a contractual obligation has been charged to the income statement in the year. These contractual obligations comprise salaries paid in overseas subsidiaries and fixed non-discretionary profit share arrangements.

Investments

Fixed asset investments in subsidiaries and investments in joint ventures are shown at cost less provision for impairment.

Members' interests

Members subscribe capital in proportion to their equity interest in Deloitte LLP. Members' capital may only be withdrawn when a member retires from the LLP. Member capital has been classified as a liability.

Members' non-current liabilities represent provisions for the annuities of current and retired members and members' capital. The provision relates to annuities payable under the member Pension Plan, which commence when the member reaches the age of 60. The annuities are unfunded and are dependent upon the future generation of profits.

Drawings by members on account of profits have been classified as amounts due from members within current assets.

2. Critical accounting judgements and key sources of estimation

The preparation of financial statements requires the Board to make estimates and assumptions that affect the reported amount of revenue, expenses, assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and expectations of future events that are considered reasonable in the circumstances. Actual results may differ from those estimated.

The Board considers that the following estimates and judgements are likely to have the most significant effects on the amounts recognised in the financial statements:

2. Critical accounting judgements and key sources of estimation (continued)

Retirement benefit obligation

The pension liability in respect of the defined benefit schemes has been independently valued based on information provided by the group in terms of the pensionable salary and contributions to the schemes. The liabilities disclosed for the defined benefit schemes are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate and mortality. Further details of the estimates and assumptions are set out in note 22. The group will continue to review these assumptions against the group's experience and market data and adjustments will be made in future periods where appropriate.

Provision for member annuities

The provision for annuities for both retired and current members has been valued based on information provided by the group of future levels of pension annuity, current member retirement rates and mortality. This data is based on the current profile of retired and current members. The liabilities disclosed for the member annuities are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate and mortality. Further details of the estimates and assumptions are set out in note 15. The group will continue to review these assumptions against the group's experience and market data, and adjustments will be made in future periods where appropriate.

Consolidation of group entities

During the year the group acquired a 60% interest in Deloitte CIS Holdings Limited. As explained in note 11 the group has, due to the nature of the transaction, accounted for the entity as an associate.

3. Operating Segments

On 1 June 2011, the group changed the internal reporting structure to report separately the group's activities in Switzerland. The group now has five reportable operating segments: Audit, Tax, Consulting, Corporate Finance and Switzerland. The Audit segment provides audit, internal audit, regulatory, risk and control and accounting and financial reporting services. The Tax segment provides business tax, employer and personal tax services. The Consulting segment provides strategy, operations, human capital, enterprise application and technology integration services as well as actuarial and insurance solutions. The Corporate Finance segment provides transaction support, reorganisation services, forensic and dispute services, real estate consultancy and advisory services. The Switzerland segment provides audit, tax, consulting and corporate finance services in Switzerland. The prior year results have been restated to reflect the new reporting structure.

The reportable segments reflect the group's principal management and internal reporting structures and are strategic business units which offer different services and operate in different jurisdictions.

The group evaluates the performance of the segments on the basis of net revenue and profit or loss from operations before unallocated costs, finance income, finance cost and tax expense. Net revenue is revenue less expenses and disbursements incurred on client assignments.

Central adjustments largely represent time spent on internal projects by Deloitte members of staff. Unallocated items include any costs which cannot be allocated to an operating segment on a meaningful basis. Adjustments are made to net revenue and profit as reported internally compared to as reported in the financial statements, such adjustments reflect the different accounting policies adopted.

Performance assessment of the segments includes a review of certain assets such as client receivables, net of ayments on account and, deferred income and amounts to be billed to clients and prepayments. All other assets, including non-current assets, balances with members, cash, provisions and retirement benefit balances are controlled centrally and are not allocated across service lines. There is no internal reporting of liabilities by operating segment, and thus no segmental disclosures are provided.

Inter-segment revenue is not material as revenue is shared proportionately by those service lines delivering services to clients.

3. Operating segments (continued)

	Audit 2012 £m	*Tax 2012* £m	*Consulting 2012* £m	*Corporate Finance 2012* £m	*Switzerland 2012* £m	*Total 2012* £m
Revenue	663	529	524	402	211	**2,329**
Net revenue (as reported internally)	559	453	443	350	178	**1,983**
Central adjustments						**(33)**
						1,950
Profit per operating segment (as reported internally)	200	183	135	115	20	**653**
Unallocated						**(167)**
Other income						**–**
Share of results of joint venture						**(3)**
Finance income						**121**
Finance cost						**(44)**
Profit before tax						**560**
Tax						**–**
Profit for the year						**560**
Operating segment assets (as reported internally)	160	180	102	121	52	**615**
Unallocated						**331**
Total assets						**946**

3. Operating segments (continued)

	Audit 2011 (restated) £m	Tax 2011 (restated) £m	Consulting 2011 (restated) £m	Corporate Finance 2011 (restated) £m	Switzerland 2011 (restated) £m	Total 2011 £m
Revenue	586	496	460	381	175	2,098
Net revenue (as reported internally)	507	425	381	332	156	1,801
Central adjustments						(25)
						1,776
Profit per operating segment (as reported internally)	186	177	106	105	20	594
Unallocated						(51)
Other income						2
Share of results of joint venture						(1)
Finance income						38
Finance cost						(72)
Profit before tax						510
Tax						(1)
Profit for the year						509
Operating segment assets (as reported internally)	124	167	91	113	50	545
Unallocated assets						320
Total assets						865

	2012 £m	2011 £m
Revenue per income statement	2,329	2,098
Expenses and disbursements on client assignments	(379)	(322)
Net revenue	1,950	1,776

Included within the group's Audit, Tax, Consulting and Corporate Finance segments is revenue of £33m (2011: £22m) which relates to engagements based in Switzerland.

Segment net revenue and profit without the allocation of central costs, other income, finance income and costs and tax expense, are the measures that are reported to the Senior Partner and Chief Executive for the purposes of assessment of segment performance and resource allocation.

Included in group revenue is net revenue of approximately £65m (2011: £77m) which arose from supplying professional services, across all four service lines, to the group's largest client, which is a non-audit client.

3. Operating Segments (continued)

The group's revenue and information about its segment assets (non-current assets excluding financial instruments and interest in joint venture) by geographical location is detailed below. Both revenue and non-current assets are based on those arising in legal entities situated in each country.

	Revenue		*Net revenue*		*Non-current assets*	
	2012	***2011***	***2012***	***2011***	***2012***	***2011***
	£m	£m	£m	£m	£m	£m
UK	2,099	1,908	1,786	1,630	209	218
Switzerland	211	175	178	156	20	18
Other Countries	19	15	19	15	1	–
	2,329	**2,098**	**1,983**	**1,801**	**230**	**236**

To reflect our focus on client relationships, the group is managed using a matrix structure which incorporates both service lines and industry. Revenue by industry is:

	Revenue		*Net revenue*	
	2012	***2011***	***2012***	***2011***
	£m	£m	£m	£m
Financial Services	758	665	645	571
Consumer Business	304	296	259	254
Technology, Media and Communications	253	220	215	189
Manufacturing	208	175	177	150
Public Sector	203	186	173	160
Energy and Resources	182	148	155	127
Business and Professional Services	108	93	92	80
Healthcare and Life Science	95	87	80	75
Real Estate	94	95	80	82
Infrastructure and Capital Programmes	74	66	63	56
Other	50	67	44	57
	2,329	**2,098**	**1,983**	**1,801**

4. Staff costs and member remuneration

The average number of members and employees during the year were:

	2012	***2011***
	No.	No.
Members	721	706
Employees	12,983	12,055
	13,704	**12,761**

4. Staff costs and member remuneration (continued)

The average number of members and employees by service line were as follows:

	2012	*2011*
	No.	No.
Fee earners:		
Audit	4,066	3,746
Tax	2,318	2,221
Consulting	2,520	2,232
Corporate Finance	1,742	1,696
Switzerland	908	858
	11,554	10,753
Central leadership and support	2,150	2,008
	13,704	**12,761**

Staff costs incurred during the year in respect of the employees were:

	2012	*2011*
	£m	£m
Salaries	823	728
Social security costs	87	76
Pension costs (note 22):		
Defined contribution	38	35
Defined benefit	21	20
	969	859

Profits are shared amongst the members after the end of the year in accordance with agreed profit sharing arrangements. The average profit per member is calculated by dividing the profit for the financial year distributable to members of £569m by the average number of members.

	2012	*2011*
	£'000	£'000
Average profit per member	789	758

The share of profit that has been allocated since the year end to the Senior Partner and Chief Executive, David Sproul, who was the member with the largest entitlement to profits in 2012, was £2.8m (2011: £2.6m).

5. Profit from operations

Profit from operations has been arrived at after charging:

	2012	*2011*
	£m	£m
Operating lease rentals		
– land and buildings	60	57
– other	2	2
Depreciation of property, plant and equipment	37	44
Amortisation of intangible assets	3	4
Net foreign exchange loss	1	3

Audit fees and expenses for the group accounts for the year ended 31 May 2012 were £0.3m (2011: £0.3m) and fees for other services were £0.1m (2011: £0.1m) which related to the audit of subsidiary financial statements. In addition, the auditors received £25,000 (2011: £30,000) for the audit of the group pension schemes. Non-audit services were provided in relation to the provision of an Assurance Statement on the Carbon Credit review, with fees of £24,000 (2011: £20,000) and other assurance services of £25,000 (2011: £nil). The auditor and its associates did not provide any other non-audit services during either year.

6. Finance income and cost

	2012 £m	2011 £m
Finance income		
Expected return on pension scheme assets (note 22)	44	38
	44	**38**
Finance cost		
Interest payable on bank loans and overdrafts	2	1
Other interest payable and unwinding of discount on provisions	78	32
Interest on pension scheme obligations (note 22)	41	39
	121	**72**

7. Tax

The taxation charge which arises in the corporate entities included within these financial statements comprises:

	2012 £m	2011 £m
Current tax	24	24
Compensating payments due from members	(24)	(23)
Tax expense in corporate subsidiaries	**–**	**1**

The tax expense at the standard rate can be reconciled to the actual tax expense as follows:

	2012 £m	2011 £m
Profit on ordinary activities of corporate entities before tax	**1**	**1**
UK Corporation Tax		
Expenses not deductible for tax purposes	1	–
Tax credit relating to research & development	(1)	–
Tax expense in corporate subsidiaries	**–**	**1**

UK Corporation Tax is calculated at 25.68% (2011: 27.67%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The UK tax charge in respect of the corporate entities includes an additional amount as a result of UK transfer pricing legislation. The cost of this is offset by compensating payments made by the members of Deloitte LLP to the subsidiaries, which are dealt with through members' interests.

8. Provision for annuities and remuneration for current members

	2012 £m	*2011* £m
Annuity provision for current members	117	61
Remuneration for current members paid under a contractual arrangement	37	40
	154	**101**

9. Property, plant and equipment

Group

	Leasehold improvements £m	*Computer equipment* £m	*Fixtures and fittings* £m	*Motor vehicles* £m	*Total* £m
Cost					
At 1 June 2010	199	85	51	30	365
Additions	8	22	4	7	41
Disposals	(4)	(5)	(2)	(9)	(20)
At 1 June 2011	203	102	53	28	386
Additions	11	20	3	6	40
Disposals	–	(5)	–	(8)	(13)
At 31 May 2012	214	117	56	26	413
Depreciation					
At 1 June 2010	67	52	30	10	159
Charge for the year	16	19	5	4	44
Disposals	(4)	(4)	(2)	(4)	(14)
At 1 June 2011	79	67	33	10	189
Charge for the year	14	17	3	3	37
Disposals	–	(4)	–	(3)	(7)
At 31 May 2012	93	80	36	10	219
Net book amount					
At 31 May 2012	**121**	**37**	**20**	**16**	**194**
At 31 May 2011	**124**	**35**	**20**	**18**	**197**

Capital commitments contracted but not provided for as at 31 May 2012 amounted to £12m (2011: £11m).

9. Property, plant and equipment (continued)

LLP

	Leasehold improvements £m	*Computer equipment* £m	*Fixtures and fittings* £m	*Motor vehicles* £m	*Total* £m
Cost					
At 1 June 2010	148	81	45	30	304
Additions	6	3	2	7	18
Disposals	(4)	(4)	(2)	(9)	(19)
At 1 June 2011	150	80	45	28	303
Additions	9	–	–	6	15
Disposals	–	(5)	–	(8)	(13)
At 31 May 2012	159	75	45	26	305
Depreciation					
At 1 June 2010	52	49	27	11	139
Charge for the year	10	14	4	4	32
Disposals	(4)	(4)	(2)	(4)	(14)
At 1 June 2011	58	59	29	11	157
Charge for the year	11	10	3	3	27
Disposals	–	(4)	–	(4)	(8)
At 31 May 2012	69	65	32	10	176
Net book amount					
At 31 May 2012	**90**	**10**	**13**	**16**	**129**
At 31 May 2011	**92**	**21**	**16**	**17**	**146**

Capital commitments contracted but not provided for as at 31 May 2012 amounted to £12m (2011: £11m).

10. Intangible assets

Group

	IT software £m	Goodwill £m	Customer relationships, order books, brands and contracts £m	Total £m
Cost				
At 1 June 2010, 1 June 2011 and 31 May 2012	19	20	13	52
Amortisation				
At 1 June 2010	9	–	–	9
Charge for the year	2	–	2	4
At 1 June 2011	11	–	2	13
Charge for the year	1	–	2	3
At 31 May 2012	12	–	4	16
Net book amount				
At 31 May 2012	**7**	**20**	**9**	**36**
At 31 May 2011	**8**	**20**	**11**	**39**

LLP

	IT Software £m	Customer relationships, order books, brands and contracts £m	Total £m
Cost			
At 1 June 2010, 1 June 2011 and 31 May 2012	17	4	21
Amortisation			
At 1 June 2010	9	–	9
Charge for the year	1	1	2
At 1 June 2011	10	1	11
Charge for the year	1	2	3
At 31 May 2012	11	3	14
Net book amount			
At 31 May 2012	**6**	**1**	**7**
At 31 May 2011	**7**	**3**	**10**

10. Intangible assets (continued)

Goodwill was generated on the acquisitions of ReportSource (£3m) and MC Schweiz (£17m) in the year ended 31 May 2010. ReportSource is considered a single cash generating unit. From 1 June 2011, the activities of MC Schweiz were merged, under Swiss rules, with the activities of Deloitte Consulting AG and the combined activities are considered a separate, single cash-generating unit. The recoverable amounts of the cash-generating units have been determined using a 'value in use' basis, being the present value of future cash flows based on the performance in the year, financial plans for the next year approved by senior management and projected cash flows for the next five years. The financial plans for the next year approved by senior management forecast growth of 8% however growth rates beyond this period have been based on Swiss overall growth forecasts of 2%. The discount rate applied against the anticipated future cash flows is based on a pre-tax weighted average cost of capital of between 8% and 9% which has been assessed based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The key assumptions are those regarding the growth and discount rates. No goodwill impairment arises.

11. Financial assets and associate

Group

	Investments	*Loans*	*Total*
	£m	£m	£m
Valuation/cost			
At 1 June 2010	5	1	6
Disposal/repayments	(2)	(1)	(3)
At 1 June 2011 and 31 May 2012	3	–	3
Provision			
At 1 June 2010	4	–	5
Released	(3)	–	(4)
At 1 June 2011 and 31 May 2012	1	–	1
Carrying amount			
At 31 May 2012	**2**	**–**	**2**
At 31 May 2011	**2**	**–**	**2**

Investments of £2m (2011: £2m) represent the investment in the captive insurance company Nautilus Indemnity Holdings Ltd (18.1%) and Deloitte CIS Holdings Limited of £38,000 ($60,000) accounted for as an associate.

11. Financial assets and associate (continued)

LLP

	Investments in group undertakings £m	*Investments* £m	*Loans* £m	*Total* £m
Valuation/cost				
At 1 June 2010	52	5	1	58
Transfer to current assets	(4)	–	–	(4)
Disposal/repayments	–	(2)	(1)	(3)
At 1 June 2011 and 31 May 2012	48	3	–	51
Provision				
At 1 June 2010	4	4	–	8
Released	–	(3)	–	(3)
At 1 June 2011 and 31 May 2012	4	1	–	5
Carrying amount				
At 31 May 2012	44	**2**	**–**	**46**
At 31 May 2011	44	**2**	**–**	**46**

A list of investments held by Deloitte LLP is set out in note 25.

Associate

On 22 February 2012, Deloitte LLP, through its subsidiary, Deloitte CIS Limited, completed the transaction to acquire 100% of the ordinary 'A' share capital of Deloitte CIS Holdings Limited, a company incorporated in Guernsey. The transaction aims to provide support to the CIS group to facilitate growth and increased market share in the Commonwealth of Independent States (CIS). Deloitte CIS Limited, representing a number of European DTTL member firms, was invited by DTTL to provide this support. Under this arrangement, Deloitte CIS Limited will not benefit from the transaction beyond the amount equivalent to interest on the contribution, as any variability of return will be for the benefit of the partners within the Deloitte CIS Holdings Limited group. Based on the above arrangement, the Board has concluded that Deloitte CIS Limited does not exert control over Deloitte CIS Holdings Limited and so Deloitte CIS Holdings Limited has not been accounted for as a subsidiary.

Deloitte LLP, via Deloitte CIS Limited, owns voting rights of 60% in Deloitte CIS Holdings Limited and, therefore, is deemed to exert significant influence. As a consequence, Deloitte CIS Holdings Limited has been accounted for as an associate. No share of profit or loss has been recognised in the financial statements and there is no impact on the carrying value of the investment in associate.

Deloitte LLP's interest, which is denominated in US Dollars, in Deloitte CIS Holdings Limited, and therefore the CIS group is restricted to:

Share capital $100,000 – Deloitte LLP share $60,000

12. Client and other receivables

	Group 2012 £m	Group 2011 £m	LLP 2012 £m	LLP 2011 £m
Client receivables	384	345	267	244
Amounts due from other member firms of the DTTL organisation	24	22	11	7
Trade receivables	408	367	278	251
Amounts to be billed to clients	233	205	156	127
Amounts due from group undertakings	–	–	177	178
Other receivables	10	11	1	1
Prepayments and accrued income	35	30	15	16
	686	**613**	**627**	**573**

Client receivables are shown after impairment provisions for bad and doubtful debts of £7m (2011: £11m), movements on which are as follows:

	Group 2012 £m	Group 2011 £m	LLP 2012 £m	LLP 2011 £m
As at the start of the year	11	12	8	10
New and additional provisions	12	11	5	1
Recoveries	(13)	(6)	(10)	(2)
Write-offs	(3)	(6)	(2)	(1)
As at the end of the year	7	11	1	8

The maximum exposure to credit risk for trade receivables is £415m (2011: £378m). The maximum exposure to credit risk for amounts due from members and other receivables is equal to the carrying amount.

Trade receivables are presumed to be impaired at any point where full recoverability of the debt is considered doubtful. Reasons for impairment could include the client being unable to pay or a dispute over either the services provided, or the fees incurred. Full provision is made for all debts which are considered to be impaired. Of the £7m (2011: £11m) provision £6m (2011: £7m) relates to receivables which are considered to be individually impaired as they are over nine months past due.

The group has a policy of providing for all debts to the extent that they are not considered recoverable. The provision is also determined by reference to past default experience. In determining the recoverability of the client receivable, the group considers any change in the credit quality of the client receivable.

A detailed review of the creditworthiness of each and every client is completed before an engagement commences and the concentration of credit risk is limited due to the client base being large and unrelated.

Clients are required to settle invoices on invoice presentation or on such other date as is agreed in the engagement terms for that client. Although terms vary, invoices are considered past due after 30 days have elapsed following the invoice date. No collateral is held for client receivables. Amounts due from other member firms of DTTL are generally payable on presentation.

Intra-group transactions are non-interest bearing and are not included as past due as they do not have fixed repayment terms but are immediately repayable on demand. The parent LLP has considered the credit risk in relation to these balances and considers it to be acceptable given that the working capital of the subsidiaries is considered adequate to meet their financing requirements.

12. Client and other receivables (continued)

Included within Amounts due from group undertakings is a subordinated loan of £2m (2011: £2m) due from Deloitte Total Reward and Benefits Limited. Deloitte LLP has subordinated its right of repayment in favour of any other creditor of Deloitte Total Reward and Benefits Limited. The loan is subject to five years notice of repayment and bears interest at 1% over Barclays Bank plc base rate.

An analysis of the age of trade receivables that are not impaired but are past due at the year end is presented below:

	Group 2012 £m	*Group 2011* £m	*LLP 2012* £m	*LLP 2011* £m
1 – 3 months	112	105	86	69
3 – 6 months	26	20	10	21
6 – 9 months	5	2	5	3
At 31 May	**143**	**127**	**101**	**93**
Non-impaired trade receivables that are not past due:				
Less than 1 month	265	240	177	158
	408	**367**	**278**	**251**

13. Trade and other payables

	Group 2012 £m	*Group 2011* £m	*LLP 2012* £m	*LLP 2011* £m
Progress billings for client work	26	30	26	30
Trade payables	7	15	–	2
Amounts due to other member firms of the DTTL organisation	26	11	19	7
Amounts due to group undertakings	–	–	185	177
Amounts due to members	26	34	80	76
Corporation tax	13	10	–	–
Social security and other taxes	63	55	30	26
Other payables	4	14	6	7
Accruals and deferred income	129	105	16	26
	294	**274**	**362**	**351**

14. Borrowings

	Group 2012 £m	*Group 2011* £m	*LLP 2012* £m	*LLP 2011* £m
Unsecured borrowing at amortised cost:				
Bank overdraft	–	45	–	54
Bank loans	155	–	155	–
	155	**45**	**155**	**54**

At 31 May 2012 the group had three short term unsecured bank loans. All loans were repaid by 11 July 2012.

15. Provisions

Group

	Surplus property £m	*Retired member annuities* £m	*Current member annuities* £m	*Professional liability claims* £m	*Total* £m
At 1 June 2011	**26**	**426**	**350**	**3**	**805**
Additional provision in the year	6	–	7	8	21
Transfer	–	42	(42)	–	–
Utilisation of provision	(11)	(28)	–	(2)	(41)
Released	(3)	(40)	–	(1)	(44)
Unwinding of discount	1	22	20	–	43
Adjustment for change in discount rate	–	55	90	–	145
Net movement in provision	(7)	51	75	5	124
At 31 May 2012	**19**	**477**	**425**	**8**	**929**

LLP

	Surplus property £m	*Retired member annuities* £m	*Current member annuities* £m	*Professional liability claims* £m	*Total* £m
At 1 June 2011	**26**	**426**	**350**	**1**	**803**
Additional provision in the year	6	–	7	8	21
Transfer	–	42	(42)	–	–
Utilisation of provision	(11)	(28)	–	(2)	(41)
Released	(3)	(40)	–	–	(43)
Unwinding of discount	1	22	20	–	43
Adjustment for change in discount rate	–	55	90	–	145
Net movement in provision	(7)	51	75	6	125
At 31 May 2012	**19**	**477**	**425**	**7**	**928**

	Group 2012 £m	*Group 2011* £m	*LLP 2012* £m	*LLP 2011* £m
Included in current liabilities	36	35	36	35
Included in non-current liabilities	893	770	892	768
	929	**805**	**928**	**803**

15. Provisions (continued)

Surplus property

The surplus property provision is provided to cover the expected losses on sublet and vacant properties where expected revenues are less than cost. The provision has been estimated using current costs and has been discounted to present value. Property provisions of £10m (2011: £9m) will be utilised within 12 months and the balance is expected mainly to be utilised within the next five years.

Retired and current member annuities

The annuities payable to retired and current members are unfunded and are conditional upon the future generation of profits. Payments made under the member Pension Plan are capped in each year at 8% of the applicable group profit.

The provision for retired and current members' annuities is the present value of the future obligation of the group to provide retirement annuities to members.

The principal actuarial assumptions which have been used in calculating the liabilities, after the application of mortality rates, are as follows:

	2012 % p.a.	*2011* % p.a.
Discount rate	4.4	5.4
Price inflation	2.9	3.4

The discount rate of 4.4% (2011: 5.4%) is based on the yield on the over 15 years AA-rated Corporate Bond Index.

The assumed discount rate, inflation rate and partner profit share increases, all have a significant effect on the provisions. The following table shows the sensitivity of the value of the member annuities to changes in these assumptions.

Assumption	*Change in assumption*	*Impact on annuity provision*	
		(Decrease)/Increase £m	%
Discount rate	Increase by 0.25%	(40)	(4)
Inflation rate	Increase by 0.25%	42	5
Member profit share increase	Increase by 0.25%	19	2

The mortality assumptions applied are consistent with those used for the employee defined benefit scheme and are set out in note 22.
The assumed life expectations on retirement at age 60 are:

	2012	*2011*
Retiring today:		
Males	29	29
Females	32	32
Retiring in 20 years:		
Males	30	30
Females	34	34

Professional liability claims

The provision for professional liability claims represents the group's estimate of the potential liability arising from claims that have been notified to the group. No separate disclosure is made of the cost of claims covered by insurance, as to do so could seriously prejudice the position of the group.

16. Deferred taxation

Deferred taxation provided for in the financial statements is set out below:

	Accelerated capital allowances
	£m
At 1 June 2011	1
Charge/credit to income	–
At 31 May 2012	**1**

No deferred tax asset has been recognised in respect of temporary differences of £5m (2011: £5m).

17. Members' interests

Group

	Members' capital	*Amounts due (from)/to members*	*Provision for current member annuities*	*Members' equity – other reserves*	*Total*
	£m	£m	£m	£m	£m
Members' interests at 1 June 2010	**127**	**(12)**	**320**	**(455)**	**(20)**
Profit for the financial year	–	–	–	409	409
Allocated profits	–	563	–	(563)	–
Pension scheme actuarial gain	–	–	–	27	27
Movement in provision	–	–	30	–	30
Drawings and distributions	–	(517)	–	–	(517)
Compensating payment due to subsidiary undertakings	–	–	–	(23)	(23)
Capital:					
Introduced	7	–	–	–	7
Repaid	(6)	–	–	–	(6)
Members' interests at 1 June 2011	**128**	**34**	**350**	**(605)**	**(93)**
Profit for the financial year	–	–	–	407	407
Allocated profits	–	495	–	(495)	–
Pension scheme actuarial loss	–	–	–	(141)	(141)
Movement in provision	–	–	75	–	75
Drawings and distributions	–	(503)	–	–	(503)
Compensating payment due to subsidiary undertakings	–	–	–	(24)	(24)
Capital:					
Introduced	11	–	–	–	11
Repaid	(9)	–	–	–	(9)
Members' interests at 31 May 2012	**130**	**26**	**425**	**(858)**	**(277)**

Non-controlling interests amount to £(2)m (2011: £(1)m).

The negative members' interests of £277m arises as a result of the members' distributable profit being determined by the firm's equity accounts which are based on different accounting policies to the group accounts, which are prepared under IFRSs. The most significant difference is the provision of retired member annuities of £477m. The liability is conditional on the future generation of profits and is payable over a number of years with £88m payable between 10 and 15 years and £175m payable after 15 years.

Deloitte LLP's profits are allocated according to members' units. The unit allocation is completed after the year end and, accordingly, there was no automatic allocation of profits among the members at 31 May 2012. As a result, the balance of profit available for division among the members as at 31 May 2012 is included in other reserves.

17. Members' interests (continued)

LLP

	Members' capital £m	*Amounts due to members* £m	*Provision for current member annuities* £m	*Members' equity – other reserves* £m	*Total* £m
Members' interests at 1 June 2010	**127**	**24**	**320**	**(508)**	**(37)**
Profit for the financial year	–	–	–	390	390
Allocated profits	–	563	–	(563)	–
Pension scheme actuarial gain	–	–	–	28	28
Movement in provision	–	–	30	–	30
Drawings and distributions	–	(511)	–	–	(511)
Compensating payment due to subsidiary undertakings	–	–	–	(23)	(23)
Capital:					
Introduced	7	–	–	–	7
Repaid	(6)	–	–	–	(6)
Members' interests at 1 June 2011	**128**	**76**	**350**	**(676)**	**(122)**
Profit for the financial year	–	–	–	381	381
Allocated profits	–	495	–	(495)	–
Pension scheme actuarial loss	–	–	–	(137)	(137)
Movement in provision	–	–	75	–	75
Drawings and distributions	–	(491)	–	–	(491)
Compensating payment due to subsidiary undertakings	–	–	–	(24)	(24)
Capital:					
Introduced	11	–	–	–	11
Repaid	(9)	–	–	–	(9)
Members' interests at 31 May 2012	**130**	**80**	**425**	**(951)**	**(316)**

Members' other reserves rank after unsecured creditors and loans and, other debts due to members rank pari passu with unsecured creditors in the event of a winding up.

Member capital of £7m (2011: £6m) has been included as a current liability and £123m (2011: £122m) has been included as a non current liability. Member capital in total is £130m (2011: £128m).

18. Joint venture

On 21 March 2011 the group acquired a 50% interest in Ingeus UK Limited for a consideration of £5m. Ingeus UK Limited is a joint venture between Deloitte LLP and Ingeus Limited and provides services under the Government 'Work Programme' servicing a number of contracts under the welfare-to-work initiative.

	2012 £m	*2011* £m
Aggregate amounts relating to the joint venture:		
Non-current assets	11	2
Current assets	16	25
Non-current liabilities	(10)	(1)
Current liabilities	(15)	(18)
Net assets	2	8
Group's share of net assets of the joint venture	**1**	**4**
Aggregate amounts relating to the joint venture:		
Revenue	106	–
Operating expenses	(112)	(2)
Loss	(6)	(2)
Group's share of loss of the joint venture	**(3)**	**(1)**

The issued share capital of Ingeus UK Limited is comprised as follows: 2 Ordinary A shares of £1 each and 2 Ordinary B shares of £1 each. Deloitte LLP owns 2 Ordinary A shares.

There were no capital commitments at 31 May 2012 (2011: £14m).

There were no contingent liabilities at 31 May 2012 (2011: £nil).

19. Disposals

In the prior year, the group recognised a profit of £2m on the disposal of its regulated Investment and Pensions Consulting business.

20. Operating lease commitments

At 31 May 2012, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2012 £m	*Other 2012* £m	*Land and buildings 2011* £m	*Other 2011* £m
Operating lease payments which fall due:				
Within one year	61	5	63	3
Within two to five years	214	4	217	3
In more than five years	415	–	432	–
	690	**9**	**712**	**6**

21. Contingent liabilities

The group has entered into a several guarantee in relation to a proportion of certain liabilities of Deloitte Touche Tohmatsu (DTT). At 31 May 2012 the contingent liability under this guarantee amounted to £37m (2011: £45m).

The group has provided a joint and several guarantee in relation to a borrowing facility for Ingeus UK Limited of £40m. At 31 May 2012, the contingent liability under this guarantee amounted to £10m (2011: £nil). The group has also provided a performance and liability guarantee up to £149m for certain contracts entered into by Ingeus UK Limited. At 31 May 2012, the contingent liability under this guarantee amounted to £149m (2011: £nil).

22. Retirement benefit schemes

Defined contribution schemes

The group operates an occupational defined pension contribution scheme and stakeholder pension arrangements for employees, as well as a number of closed schemes.

In all cases, the schemes' assets are held separately from those of the group in trustee-administered or, in the case of stakeholder, contract-based arrangements.

The total cost charged to the income statement of £38m (2011: £35m) represents contributions payable to these schemes by the group. At 31 May 2012 contributions of £3m (2011: £3m) had not been paid over to the schemes but were settled in accordance with the Schedule of Contributions.

Defined benefit schemes

In the UK the group provides retirement benefits through a defined benefit pension scheme. The defined benefit sections of the scheme are closed to new members. Under the scheme, employees are entitled to retirement benefits of up to two-thirds of their final salary, subject to HMRC limits, on attainment of retirement ages between 60 and 65. No other post-retirement benefits are provided. The scheme is a funded scheme.

The pension scheme assets are held in a separate Corporate Trustee-administered fund to meet the long-term pension liabilities for past and present employees.

The scheme's assets are stated at their bid value as at 31 May 2012, which represents fair value. The scheme's liabilities have been updated from the most recent actuarial valuation, as at 30 September 2010, by an independent qualified actuary to assess the liabilities as at 31 May 2012.

The liabilities of the defined benefit scheme are measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. This amount is reflected in the deficit in the balance sheet.

In addition, the group provides a pension arrangement for its employees in Switzerland, which is accounted for as a defined benefit scheme in these accounts.

	2012	*2011*
	%	%
The principal actuarial assumptions at the balance sheet date are:		
Discount rate	4.4	5.4
Expected return on scheme assets	6.4	8.1
Inflation	2.9	3.4
Future salary increases	4.4	4.9
Future pension increases	2.7	3.1

Benefits are valued at the date from which they can be taken without actuarial reduction for early payment.

The valuation at 31 May 2012 assumes that mortality will be in line with 100% for males and 75% for females of SAPS light birth tables with CMI 2011 improvements with a long-term rate of improvement of 1% per annum.

22. Retirement benefit schemes (continued)

The assumed life expectations on retirement at age 65 are:

	2012	*2011*
Retiring today:		
Males	23	24
Females	25	27
Retiring in 20 years:		
Males	25	25
Females	26	29

2012 life expectancy rates reflect a scheme specific review of mortality rates undertaken by an independent actuary.

The amount recognised in the balance sheet arising from the obligations in respect of the defined benefit schemes is as follows:

	Group 2012	*Group 2011*	*LLP 2012*	*LLP 2011*
	£m	£m	£m	£m
Fair value of scheme assets	614	595	590	573
Present value of scheme obligations	(911)	(813)	(786)	(694)
Deficit in the scheme and liability recognised in the balance sheet	(297)	(218)	(196)	(121)

The amounts recognised in the consolidated income statement in respect of the defined benefit schemes are as follows:

	2012	*2011*
	£m	£m
Operating expenses:		
Current service cost	21	20
Finance income and cost:		
Interest cost	41	39
Expected return on scheme assets	(44)	(38)
	18	**21**

Actuarial gains and losses have been reported in the statement of comprehensive income.

The movements in the defined benefit schemes' assets were as follows:

	Group 2012	*Group 2011*	*LLP 2012*	*LLP 2011*
	£m	£m	£m	£m
Fair value of scheme assets at 1 June	595	488	573	488
Expected return on scheme assets	44	38	41	35
Actuarial (loss)/gain on scheme assets	(74)	40	(73)	42
Contributions from the sponsoring employers	78	30	68	22
Contributions from employees	5	4	–	1
Benefits paid	(28)	(21)	(19)	(15)
Exchange movement	(6)	16	–	–
Fair value of scheme assets at 31 May	614	595	590	573

22. Retirement benefit schemes (continued)

The actual return on scheme assets was as follows:

	2012	*2011*
	£m	£m
Expected return on scheme assets	44	38
Actuarial (losses)/gains on scheme assets	(74)	40
	(30)	78

The expected return on assets is determined using current and projected economic and market factors and after taking independent actuarial advice. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets.

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		*Fair value of assets*	
	2012	*2011*	*2012*	*2011*
	%	%	£m	£m
Equity instruments	7.6	8.1	320	496
Corporate Bonds	4.4	–	101	–
Cash	1.8	–	50	–
Other	8.1	8.1	143	99
	6.4	8.1	614	595

The overall expected rate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

The changes in defined benefit obligations were as follows:

	Group	*Group*	*LLP*	*LLP*
	2012	*2011*	*2012*	*2011*
	£m	£m	£m	£m
Present value of defined benefit obligations at 1 June	813	737	694	648
Current service cost	21	20	10	9
Interest cost	41	39	37	36
Contributions from employees	5	4	–	1
Actuarial losses on scheme liabilities	67	13	64	14
Benefits paid	(28)	(21)	(19)	(14)
Exchange movement	(8)	21	–	–
Present value of defined benefit obligation at 31 May	911	813	786	694

22. Retirement benefit schemes (continued)

The analysis of the actuarial gains and losses recognised in the statement of comprehensive income is as follows:

	2012 £m	*2011* £m
Actuarial (losses)/gains on scheme assets	(74)	40
Actuarial losses on scheme liabilities	(67)	(13)
Total actuarial (loss)/gain	**(141)**	**27**
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	**(278)**	**(137)**

There is no tax impact on the actuarial loss reflected in the statement of comprehensive income.

The five-year history of experience adjustments is as follows:

	2012 £m	*2011* £m	*2010* £m	*2009* £m	*2008* £m
Fair value of scheme assets	614	595	488	387	417
Present value of scheme obligations	(911)	(813)	(737)	(621)	(484)
Deficit in the schemes	**(297)**	**(218)**	**(249)**	**(234)**	**(67)**
Experience adjustments to scheme assets	74	40	54	(131)	(75)
Experience adjustments to scheme liabilities	(18)	(13)	(44)	(29)	–

The estimated amount of contributions expected to be paid to the schemes during the current financial year is £33 million. This includes contributions for future accrual and contributions towards eliminating the deficit.

The assumed discount rate, inflation rate, salary increases and mortality all have a significant effect on the valuation. The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions.

Assumption	*Change in assumption*	*Impact on scheme liabilities* (Decrease)/Increase £m	%
Discount rate	Increase by 0.25%	(32)	(4)
Inflation rate	Increase by 0.25%	25	3
Salary increases	Increase by 0.25%	2	–
Mortality	Increase by 1 year	19	2

In 2010, Deloitte LLP made a special contribution of £70m to the Deloitte UK Pension Scheme ('Pension Scheme'). The Pension Scheme invested £70m in Deloitte Scotland Limited Partnership (SLP). The Pension Scheme will invest in this asset for up to 15 years until 30 September 2025 at which point the Scheme's investment will be valued and redeemed. The redemption value of the investment will be the lower of £74.5 million or the deficit in the Scheme at that time, with a minimum payment of £0.5m. The Pension Scheme will be entitled to an annual income from this investment, based on an annual rate of interest designed to reflect the pre- and post-retirement discount rates, used to determine the technical provisions of the Scheme of successive actuarial valuations. In 2012 the Pension Scheme received £4.9m (2011: £3.4m) of income from the investment.

22. Retirement benefit schemes (continued)

Under IAS 19, the interest in the SLP does not represent a plan asset for group reporting purposes and has, therefore, not been deducted in arriving at the pension scheme deficit presented in these financial statements. Also, distributions from SLP to the Scheme are reflected in these group accounts on a cash basis as contributions paid.

23. Financial instruments

Capital structure

The group is financed by member capital. In addition, the short-term working capital requirements of the group will be met by the bank facilities. The group's capital structure and treasury policies are regularly reviewed to ensure that they remain relevant to the business and its plans for growth. The group aims to minimise the level of short-term borrowing and this is achieved through the active management and targeting of receivables, client receivables and amounts due to be billed to clients. A number of entities within the group are regulated by the Financial Services Authority and, as such, are subject to certain regulatory capital requirements. These requirements were met throughout the financial year.

Financial instruments comprise unquoted investments, loans, short-term borrowings, cash, client and other receivables and trade and other payables, amounts due to and from other member firms of the DTTL organisation, members' capital and amounts due from members. Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks, information about these risks and how they are managed is set out below.

The carrying amounts of financial instruments are as follows:

	2012	*2011*
	£m	£m
Financial assets		
Unquoted investments	2	2
Client receivables	384	345
Amounts to be billed to clients	233	205
Amounts due from other member firms of the DTTL organisation	24	22
Other receivables	10	11
Cash and deposits	27	10
Loans and receivables	680	595
Financial liabilities		
Amounts due to other member firms of the DTTL organisation	(26)	(11)
Member capital	(130)	(128)
Bank overdraft	–	(45)
Bank loans	(155)	–
Amounts due to members	(26)	(34)
Progress billings for client work	(26)	(30)
Trade payables	(7)	(15)
Other payables	(4)	(14)
Liabilities at amortised cost	(374)	(277)
Total net financial instruments	**306**	**318**

23. Financial instruments (continued)

Liquidity risk

The ultimate responsibility for liquidity risk management lies with the Executive Group, which has developed an appropriate liquidity risk management framework for the management of the group's short-, medium- and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities and by continually monitoring forecast and actual cash flows.

Liquidity risk arises from the group's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables. The group's financing requirements vary during the year, partly as a result of payments to and on behalf of members and, partly, as a result of other major payments such as leasehold improvements.

The group has total borrowing facilities of £433m with leading international banks. These facilities include a three year revolving credit facility of £100m which is due to expire in October 2013 and a five year revolving credit facility of £150m which is due to expire in December 2016. £150m is an overdraft facility which is due to expire between 31 July 2012 and 31 December 2012 and renewal of the facilities, based on forecast requirements, will be negotiated with expected renewal at satisfactory levels. In addition, the group has a £33m committed facility which is indefinite. At 31 May 2012 the group had available £278m (2011: £378m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. These facilities are considered more than adequate to finance variations in working capital.

Cleared funds held at banks are monitored on a daily basis and surplus amounts are placed on short-term deposits or invested on the money market. It is the group's policy to invest surplus amounts for periods of up to three months. At the year end all surplus funds were held in either on demand accounts or in the money market. Funds in the group's captive insurance company are placed on deposit for periods of up to three months.

Trade payables of £7m (2011: £15m) mature within one year. Member capital of £130m (2011: £128m) is repayable when the member retires. Under the Partnership Agreement members must give six months' notice ending on 31 May if they wish to retire. However, this can be shortened by mutual agreement. This element of members' capital, £7m (2011: £6m), will be repaid within 12 months and has been disclosed as a current liability. The earliest date for all other member capital, £123m (2011: £122m), is 7 June 2013 and, therefore, this has been disclosed as a non-current liability. A member's capital is repaid within seven days of retirement. The amount of undiscounted cash outflows for financial liabilities are equal to their carrying amount as both trade payables and member capital are non-interest bearing. The timing of these undiscounted cash outflows is potentially due for repayment within a maximum six-month timeframe.

Credit risk

Credit risk primarily refers to the risk that a client will default on its contractual obligations resulting in financial loss to the group and the group has adopted a policy of only dealing with creditworthy clients. Credit risk also arises from amounts to be billed to clients, amounts due from other member firms of the DTTL organisation, loans, cash and cash equivalents and guarantees.

Client receivables consist of a large number of clients, spread across diverse industries and geographical areas and covering a wide range in terms of credit quality. Ongoing credit evaluation is performed on the financial condition of client receivables and the group does not have any significant credit risk exposure to any single client or any group of clients having similar characteristics. Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable within 30 days or as agreed per the engagement terms.

All work carried out on behalf of other member firms of the DTTL organisation is subject to a DTTL member firm agreement, which specifies the exact terms and conditions of each engagement. Invoices are generally payable upon presentation. The credit risk arising from amounts owed by DTTL member firms is deemed to be low and is, therefore, accepted by the group. None of the amount receivable from DTTL member firms is considered to be impaired.

The credit risk on liquid funds is limited, because the leading banks used are those with high credit ratings (long-term A as a minimum) assigned by international credit rating agencies and, cash deposits are placed only with the group's relationship banks.

23. Financial instruments (continued)

Except for the several guarantees (note 21) provided to DTT and Ingeus UK Limited the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the group's maximum exposure to credit risk. This amount is:

	2012 £m	*2011* £m
Financial assets	680	595
Guarantees	47	45
Total credit risk	727	640

Interest rate risk

Interest rate risk arises from cash and cash equivalents and interest-bearing investments and loans. Interest on cash and cash deposits of £9m (2011: £10m) is earned at a variable rate linked to LIBOR. Interest on short-term borrowings is paid at a variable rate linked to LIBOR. Investments include unquoted investments which are not interest-bearing. It is recognised that interest rates are liable to fluctuate and the group accepts this risk and does not consider it to be material to the group.

Foreign currency risk

The group is exposed to exchange rate fluctuations since it undertakes certain transactions denominated in foreign currencies. The group's income and expenditure is primarily in Sterling. However, some fees and costs are denominated in foreign currencies, as are the transactions of the Swiss subsidiaries and transactions with DTTL member firms.

During the year the group did not hedge or enter into forward or derivative transactions and is mainly exposed to US Dollar and Swiss Franc foreign currency risk. Balances in foreign currency bank accounts are held to facilitate cash management and, on occasion, to provide an economic hedge of future foreign currency expenditure. Other than foreign currency bank accounts, the group has no significant assets or liabilities denominated in currencies other than Sterling. It is recognised that exchange rates are liable to fluctuate and the group accepts this risk and does not consider it to be material to the group.

The following table is a summary of the group's net foreign currency-denominated monetary assets:

	2012 £m	*2011* £m
Euro	6	3
US Dollar	22	25
Swiss Franc	7	6
	35	34

23. Financial instruments (continued)

Foreign currency sensitivity analysis

The following tables detail the group's sensitivity to a 10% increase and decrease in the Sterling amount against the relevant currencies. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts the translation at the year end for a 10% change in exchange rates. A positive number below indicates an increase in profit where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on profit.

	Euro currency impact		*US Dollar currency impact*		*Swiss Franc currency impact*	
	2012	*2011*	*2012*	*2011*	*2012*	*2011*
	£m	£m	£m	£m	£m	£m
Profit or loss	1	–	2	2	1	1

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally, to key management and, represents management's assessment of the potential changes in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the group's profit for the year ended 31 May 2012 would decrease/increase by a negligible amount (2011: negligible amount).

Fair value

The estimated fair values of all financial instruments of the group are approximate to their book values as at 31 May 2012 and 31 May 2011 largely owing to their short maturity. All financial assets and liabilities are receivable and repayable on demand or within one year.

24. Related party transactions

Transactions between Deloitte LLP and its subsidiaries, which are related parties, have been eliminated on consolidation. These transactions include management charges from the LLP and charges for the costs of shared services. All balances with subsidiary undertakings are not interest-bearing. The following table provides the total amount of transactions entered into with subsidiary undertakings during the year and balances with subsidiary undertakings at the year end.

	Services provided by the subsidiaries £m	*Services purchased by the subsidiaries* £m	*Amounts owed by related parties* £m	*Amounts owed to related parties* £m
2012				
Deloitte Limited	729	–	–	45
Deloitte MCS Limited	–	127	73	–
Other subsidiaries	–	15	104	140
	729	**142**	**177**	**185**
2011				
Deloitte Limited	646	–	–	30
Deloitte MCS Limited	–	99	66	–
Other subsidiaries	–	15	112	147
	646	**114**	**178**	**177**

The parent LLP received a dividend from Peterborough Insurance PCC Limited of £1m (2011: £1m).

In addition to transactions entered into between the parent LLP and the subsidiaries, the LLP also manages the treasury functions of the group. As a result, cash is periodically transferred from the subsidiaries to the parent LLP.

Members of the Executive Group are recognised as the group's key management personnel and their remuneration is regarded as a related party transaction. The share of profit allocated to the members of the Executive Group during the year amounted to £22m (2011: £36m).

The group has entered into an arrangement with the Pension Scheme Trustee to address an element of the current scheme deficit. Full details of this arrangement are set out in note 22.

Related party transactions with Associate

Transactions with the Deloitte CIS Holdings Limited group include services provided by Deloitte LLP and its subsidiaries of £4m, of which £2m is owed by the Deloitte CIS Holdings Limited group at the year end. Services of £4m were provided to Deloitte LLP and its subsidiaries, of which £1m is owed at the year end.

Related party transactions with Joint Venture

Transactions with Ingeus UK Limited include services provided by Deloitte LLP to Ingeus UK Limited of £4m, of which £72,000 is owed by Ingeus UK Limited at the year end. In addition, Deloitte LLP reimbursed costs of £120,000 incurred by Ingeus UK Limited.

25. Subsidiary undertakings and associates

The financial statements consolidate the results and financial position of the group, including principal subsidiary undertakings listed below:

Principal subsidiary undertakings	*Holding*	*Proportion of voting rights and shares held*	*Country of incorporation*	*Nature of business*
Deloitte MCS Limited	Ordinary	100%	England & Wales	Consulting services
Deloitte PCS Limited	Ordinary	100%	England & Wales	Personal financial services
Deloitte Total Reward and Benefits Limited	Ordinary	100%	England & Wales	Investment advisory services
Deloitte & Touche Public Sector Internal Audit Limited	Ordinary	100%	England & Wales	Internal audit services
Deloitte Limited	Ordinary	100%	England & Wales	Service company and employment of staff
Deloitte & Touche Management AG	Ordinary	100%	Switzerland	Management company
Deloitte AG	Ordinary	100%	Switzerland	Professional services
Deloitte Consulting AG	Ordinary	100%	Switzerland	Consulting services
Exsigno Deloitte AG	Ordinary	100%	Switzerland	Consulting services
Deloitte Corporate Finance Limited	Ordinary	50%	United Arab Emirates	Financial advisory services
Deloitte CIS Limited	Ordinary	60%	England & Wales	Management company
Peterborough Insurance PCC Limited	Ordinary	100%	Guernsey	Captive insurance company
Associate				
Deloitte CIS Holdings Limited	Ordinary	60%	Guernsey	Professional Services

Other group entities

The group has an interest in a partnership, Deloitte Scotland Limited Partnership, which is fully consolidated into these group accounts. The group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these accounts. Separate accounts for the partnership are not required to be and, have not been, filed at Companies House.

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