Deloitte.

Deloitte LLP
Annual financial statements for the year ended 31 May 2021

Registered No. OC303675

Contents

For the year ended 31 May 2021

Report to Members

For the year ended 31 May 2021

The Board presents its report to the members and the audited financial statements of Deloitte LLP for the year ended 31 May 2021.

Principal activities

The principal activities of Deloitte LLP are the provision of Advisory services, through Consulting, Financial Advisory, Risk Advisory and Tax & Legal, and Audit & Assurance services in the United Kingdom, the Channel Islands, the Isle of Man, Gibraltar and through its subsidiaries in Switzerland.

Deloitte North and South Europe

Deloitte LLP (together with its subsidiaries in Switzerland and Gibraltar) is the UK affiliate of Deloitte NSE LLP ('Deloitte NSE'), a Deloitte Global member firm.

Deloitte NSE's governance structure consists of the Deloitte NSE Board, Deloitte NSE Executive and Geography governance bodies and Executives, underpinned by the NSE Partnership Agreement.

Governance

The governance structure of Deloitte LLP comprises:

- The Senior Partner and Chief Executive and the Executive Group – Deloitte LLP's activities are managed by the Senior Partner and Chief Executive and the Executive Group, who are responsible for managing all aspects of Deloitte LLP's business, including the development and delivery of services, the development of Deloitte LLP's policies and strategic direction, the management of Deloitte LLP's financial performance and the development and implementation of Deloitte LLP's talent goals.
- The UK Oversight Board – The UK Oversight Board oversees how the material risks facing Deloitte LLP are managed and controlled and how Deloitte LLP is meeting its public interest responsibilities. The UK Oversight Board's remit also covers oversight of specific aspects of the management of Deloitte LLP, including public interest, ethics and culture, people management, risk, regulation and internal control and financial reporting matters that relate to the UK business.
- The Partnership Council – The Partnership Council is responsible for ensuring fairness and equity between partners and fairness in the implementation of the Deloitte NSE policies and strategies. The Partnership Council is also the body that undertakes soundings to assist in the selection of candidates for election to the Deloitte NSE Board and appointment to the roles of UK Senior Partner and Chief Executive and the Swiss Chief Executive.
- The Audit Governance Board – The Audit Governance Board provides independent oversight of the UK Audit & Assurance business, with a focus on the policies and procedures that will improve audit quality and ensure the Financial Reporting Council's principles for operational separation are met.

Designated members

Deloitte LLP's designated members (as defined in the Limited Liability Partnerships Act 2000) during the year were: Stephen Griggs, Richard Houston, David Noon, Dimple Agarwal, Matt Ellis and Donna Ward.

David Noon (1 October 2020), Dimple Agarwal and Matt Ellis (both 31 May 2021) ceased to be designated members during the current year.

Members' capital

Deloitte LLP is financed through a combination of members' capital, undistributed profits, tax reserves and borrowing facilities.

Report to Members

For the year ended 31 May 2021

Members' capital (continued)

The rate per unit of members' capital contributions is determined by the Deloitte NSE Board, with input from the UK Senior Partner and Chief Executive, having regard to the working capital needs of the business. The amount of each individual member's capital contribution is calculated by reference to his or her profit share each financial year and is repayable following the member's retirement. In February 2021, the Deloitte NSE Board, following a proposal from the UK Senior Partner and Chief Executive, approved a significant increase in the rate per unit of members' capital contribution, designed to support both Deloitte LLP's resilience and strategic growth objectives. The increase in members' capital was effective 1 June 2021; at 31 August 2021 members' capital totalled £255 million. (31 May 2021: £116 million, 31 May 2020: £135 million).

Members' profit shares and drawings

The allocation of profit is at the discretion of the Deloitte NSE Board in accordance with the formal partner remuneration procedures in place. Each partner shares in profit based on the proportion of units allocated to them. Equity partners' share of profits is based upon a comprehensive evaluation of their individual and team contribution to, among others, quality, risk, performance and leadership. Partner performance is evaluated in all of the competencies, beginning with the NSE Board's approval of the profit sharing strategy proposed by the Senior Partner and Chief Executive and concluding with the NSE Board's review of the recommended profit allocation and equity group for each individual partner. The Audit Non-Executives review and advise on the compensation, evaluation and promotion of audit partners on an anonymised basis to test the robustness of the audit partner remuneration process and its linkage to audit quality. This work is undertaken in conjunction with a NSE Board sub-committee, which makes the final recommendations on compensation in line with NSE's policies.

Monthly drawings represent an advance of a portion of profit during the financial year, taking into account the need to maintain sufficient funds to settle members' income tax liabilities and to finance the working capital and other needs of the business. The Senior Partner and Chief Executive sets the level of members' monthly drawings, with the approval of the Deloitte NSE. Tax retentions are paid to HM Revenue & Customs on behalf of members with any excess being released to members, as appropriate. Where a member's drawings exceed the actual profit allocation during the year, the net amount due from the member is included under current assets in amounts due from members. If the profit allocation exceeds the members' drawings, the net amount is included under current liabilities within amounts due to members. This number is determined on a member-by-member basis. The amounts due to or from members that retire during the current year are classified on the same basis.

Significant stewardship actions

During the year, we took a number of important stewardship decisions to strengthen our market and financial resilience, address the deficit in our closed staff defined benefit scheme and lead the profession in the operational separation of our Audit & Assurance business.

On 28 May 2021, we sold our restructuring services practice to Teneo. 255 people including 16 equity partners left with this business. This resulted in a capital profit of £136 million payable to members.

During the year, we also agreed to more than double our mandatory Partner capital to support our strategic growth objectives. The increase in Members' capital contributions was effective 1 June; at 31 August 2021 Members' capital contributions totalled £255 million.

In May 2021, we proposed to the Trustees of the Deloitte UK Pension Scheme to fully fund the pension scheme to the Trustee's long term low risk target . This resulted in additional cash contributions into the Scheme totalling £103 million in May and June 2021 and means that the investment risk of the Scheme has been significantly reduced. In addition, following a Partner vote, we closed our unfunded partner retirement annuity scheme to new entrants with effect from 1 June 2021.

Report to Members

For the year ended 31 May 2021

Significant stewardship actions (continued)

In relation to Deloitte LLP's Audit & Assurance Business, we increased transparency in our reporting, improved governance, invested in the audit product, and led the profession on operational separation. An independent Audit Governance Board, made up of majority independent non-executives, was established on 1 January 2021. Deloitte LLP will continue to play a role in corporate governance reforms where there is an opportunity to enhance the reputation of the UK as a leading capital market and reinforce its position in the global economy, as the UK emerges from the pandemic and repositions itself after Brexit.

Going concern

Implications of COVID-19 on Deloitte LLP's business

The COVID-19 pandemic has had a significant impact on people, businesses and communities everywhere, creating challenges for all. In line with prior year, Deloitte LLP's overriding priorities in response to the COVID-19 crisis continued to be: protecting the health and safety of our people, clients and the community; minimising disruption to operations and client service delivery; and, preserving financial strength through cost containment and liquidity enhancement initiatives.

Despite these challenges, Deloitte LLP's client service delivery has not been materially affected with staff successfully working remotely throughout the financial year. Following the easing of lockdown restrictions across the UK from July, most of our offices have now re-opened although COVID-secure measures mean that there are limits on the number of people that can be accommodated. Deloitte LLP continues to review the guidance issued by the UK and devolved governments on how to safely enable more staff to return to its offices.

To date, Deloitte LLP has been resilient in the face of the pandemic with limited impact on financial results. During the year, revenue grew by 3.3% from £2,627 million to £2,713 million. Deloitte LLP also continued to make progress on its strategy, including a number of acquisitions and the disposal of its restructuring practice (Note 20). Deloitte LLP's net cash position at 31 May 2021 was £6 million (2020: net debt of £402 million) and Deloitte LLP, on this date, had undrawn facilities of £879 million (2020: £310 million). On this basis, Deloitte LLP remains in a strong financial position.

The UK Oversight Board has considered the impact that the COVID-19 pandemic has had on Deloitte LLP's financial sustainability and operational resilience and reviewed the stress testing completed as part of the going concern assessments. Consequently, it is satisfied that Deloitte LLP is in a strong position to face the ongoing challenges of the COVID-19 pandemic.

Deloitte LLP's ability to continue as a going concern

At 31 May 2021, total assets of Deloitte LLP were £2,531 million (2020: £2,676 million), and net liabilities attributable to members were £919 million (2020: £1,218 million).

Net liabilities attributable to members arise primarily as a result of the recognition in these financial statements of a provision for former and current member annuities of £1,501 million (2020: £1,437 million). The payment of member annuities is conditional on the future generation of profits and is payable over a number of years with £492 million (£2020: £456 million) expected to be payable between 1 to 10 years, £245 million (2020: £232 million) expected to be payable between 10 and 15 years and £764 million (2020: £749 million) expected to be payable after 15 years. The annuity provisions are unfunded, are dependent on the future generation of profits and the annual payments are generally capped at 8% of applicable operating profit before annuity charges, as defined in the relevant agreement in any financial year. As discussed in Note 23, Subsequent events, the retirement annuity scheme has been closed to new entrants effective 1 June 2021.

Report to Members

For the year ended 31 May 2021

Going concern (continued)

Deloitte LLP's ability to continue as a going concern (continued)

In addition to the above, in these financial statements members' capital totalling £116 million (2020: £135 million) is treated as a financial liability. Capital is not repayable until the member retires or withdraws from Deloitte LLP. Members are required to give a minimum of six months' notice for exiting Deloitte LLP. Upon exiting Deloitte LLP, a member's capital must be repaid as soon as practicable after the retirement date. Again, as discussed in Note 23, Subsequent events, in February 2021 the Deloitte NSE Board, on the recommendation of the UK Senior Partner and Chief Executive and the Executive Group, approved a significant increase in Members' capital contributions designed to support Deloitte LLP's strategic growth objectives. The increase in Members' capital contributions was effective 1 June; at 31 August 2021 Members' capital contributions totalled £255 million.

At 31 May 2021, Deloitte LLP's net cash position was £6 million (2020: net debt of £402 million) and Deloitte LLP had undrawn facilities of £879 million (2020: £310 million). This enables Deloitte LLP to respond to opportunities and invest in new plans and ventures based on the agreed strategy, without needing specific financing. Refer to Note 15 for further details of borrowing facilities. Note 19 includes Deloitte LLP's objectives, policies and processes for managing its capital and financial risk management objectives and its exposures to credit and liquidity risk.

Deloitte LLP has a strong focus on working capital management. The UK Oversight Board, following a review of its profit and cash flow plans, has concluded that at the time of approving these financial statements Deloitte LLP has adequate resources to continue operations for at least twelve months from the date of this report. Accordingly, Deloitte LLP continues to adopt the going concern basis in preparing this report and financial statements.

Brexit

On 31 January 2020 the UK withdrew from the European Union and a transitional period formally ended on 31 December 2020.

The Brexit risk has reduced considerably since last year as we have undertaken the regulatory actions, restructuring and financial analysis required. However, uncertainty remains around the impact on our business of new immigration restrictions, and any new regulatory restrictions implemented by member states in future.

Deloitte LLP's Senior Partner and Chief Executive and the Executive Group will continue to evaluate the impact of Brexit on the business, both in terms of its own activities and those of its clients.

Deloitte LLP expects to be able to continue to provide the services defined in engagement letters and does not anticipate resourcing or other constraints to materially affect the delivery of services.

Environmental and Sustainability

During the year, Deloitte LLP launched WorldClimate, a plan to achieve net zero by 2030 and drive responsible climate choices within the organisation and beyond. To this end, Deloitte LLP has set and shared ambitious goals that touch on every aspect of the organisation to guide the actions its people are taking with clients, alliance partners, suppliers and other stakeholders.

Deloitte LLP has demonstrated its commitment to sustainability by working with the Science-Based Targets initiative ('SBTi') to set science-based targets to reduce greenhouse gas ('GHG') emissions in line with the Paris Agreements ambitions to keep the world within a 1.5°C temperature increase. The SBTi provides a robust framework for setting GHG emissions reduction targets based on climate science and independently assesses and approves companies' targets.

Report to Members

For the year ended 31 May 2021

Environmental and Sustainability (continued)

Furthermore, Deloitte LLP has joined the United Nation's Race to Zero campaign, the largest ever alliance committed to achieve net zero emissions. Deloitte LLP has also signed up to all three of the core initiatives of The Climate Group to drive climate action fast, one of only a handful of companies to make the triple commitments of supporting renewable energy, electric vehicle adoption and energy productivity.

This year, energy efficiency improved an additional 18% per m2 compared to prior year. The majority of this reduction is attributed to the impacts of the Covid-19 pandemic. The reduction was low compared to prior year since many offices were already shut for a portion of the prior year and beginning to re-open during the current year. Further reduction has been achieved through use of the Better Buildings process, which drives energy reduction through right-sizing legacy office space; delivering sustainable fit-outs; and identifying operational efficiencies. In addition to the energy efficiency efforts, during the year, Deloitte LLP purchased Energy Attributable Certificates ('EAC's) for all electricity procured by our landlords. This enabled Deloitte LLP to meet its commitment to source 100% renewable electricity.

The energy consumption of the Deloitte LLP vehicle fleet decreased by 82% per FTE compared to prior year. The company car scheme reflects a shift towards the selection of hybrid- and electric-vehicles. There has also been an increase in video-conferencing capabilities to facilitate client work while reducing the need to travel. The impact of the Covid-19 lockdown meant minimal travel was undertaken during the whole fiscal year however it is anticipated that the evolving hybrid operating model that combines office, client-site and home-working will enable Deloitte LLP to maintain a much improved energy and carbon efficiency compared to the baseline in the future. In addition, from 1 June 2020, EACs were being purchased for Deloitte LLP's owned Electric/Plug-In Hybrid Fleet to facilitate the reporting of zero emissions for this segment of Deloitte LLP's owned car fleet.

The Taskforce for Climate Related Financial Disclosures report is available through the Deloitte Global annual report. Further details on Deloitte NSE's environmental and sustainability policies are included in Deloitte NSE's annual report. An Energy and Carbon report has not been included within this report as it is included within the group report of Deloitte NSE.

Report to Members

For the year ended 31 May 2021

Statement on disclosure of information to auditors

In so far as the members are aware, the auditors have been made aware of all relevant information.

Statement of members' responsibilities in respect of the financial statements

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

The Companies Act 2006, as applied to limited liability partnerships, requires members to prepare financial statements for each financial year, which give a true and fair view of the state of affairs and of the profit or loss of Deloitte LLP for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently, subject to any changes disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
  prepare the financial statements on the going concern basis, unless it is inappropriate to assume that Deloitte LLP will continue in business.

The members are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of Deloitte LLP and enable them to ensure that the financial statements comply with the Companies Act 2006, as applied to limited liability partnerships.

The members are also responsible for safeguarding the assets of Deloitte LLP and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are fulfilled by the UK Oversight Board on behalf of the members.

The UK Oversight Board confirms that it has complied with the above requirements in preparing these financial statements.

Signed on 23 September 2021 on behalf of the UK Oversight Board by:

Richard Houston
Senior Partner and Chief Executive

Independent Auditor’s Report to the Members of Deloitte LLP

For the year ended 31 May 2021

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Limited Liability Partnership’s affairs as at 31 May 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

We have audited the financial statements of Deloitte LLP (“the Limited Liability Partnership”) for the year ended 31 May 2021 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2021

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting as applied to limited liability partnerships

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

- adequate accounting records have not been kept, 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.

Responsibilities of Members

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2021

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Deloitte LLP and determined the most significant laws and regulations to be:
    - Those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied to Limited Liability Partnerships).
    - Laws and regulations relating to employee matters such as health and safety, equality, bribery and corruption practices.
    - Relevant tax compliance regulations in the jurisdictions in which the entity operates.
- We understood how Deloitte LLP is complying with the relevant legal and regulatory frameworks by making enquiries of management and those charged with governance, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, legal correspondence and correspondence received from regulatory bodies and we agreed the financial statement disclosures through to underlying supporting documentation.
- We assessed the susceptibility of the Limited Liability Partnership's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers including financially linked performance targets or other pressures, opportunity, and personal or corporate motivations. We obtained an understanding of the programmes and controls that the Limited Liability Partnership has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by identifying journals which met a defined criteria and corroborating these on a sample basis through to supporting documentation and management explanations and testing key areas of estimation uncertainty or judgement, for example; valuation of amounts to be billed to customers for which we sampled projects using a risk based approach and assessed the year end position on these by agreeing to related supporting evidence, and valuation of the defined benefit scheme and annuities obligations for which we consulted with external experts to gain an understanding of the estimates and judgements used and assessed the reasonableness of these in the context of our understanding of the entity and its environment.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2021

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

Nick Carter-Pegg

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Nicholas Carter-Pegg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

23 September 2021

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

Income Statement

For the year ended 31 May 2021

£'million	Notes	2021	2020
Revenue	3	2,713	2,627
Operating expenses			
Staff costs	4	(1,093)	(1,081)
Depreciation and amortisation	8, 9, 10	(123)	(119)
Other operating expenses	5	(925)	(816)
Profit on disposal of restructuring practice	20	184	-
Operating profit		756	611
Investment income	6	96	80
Finance costs	7	(51)	(75)
Profit before members' capital profit share		801	616
Members' capital profit share charged as an expense	20	(136)	-
Profit for the year		665	616

Profit for the year of Deloitte LLP is impacted by annuities for former and current members (2021: a charge of £102 million; 2020: a gain of £68 million). See Note 5, 7 and 16.

Statement of Comprehensive Income

For the year ended 31 May 2021

£'million	Notes	2021	2020
Profit for the year		665	616
Items that will not be re-classified subsequently to profit or loss			
Re-measurements of defined benefit pension scheme	18	25	8
Changes in minimum funding liability	18	33	(51)
Net gains on equity securities designated at fair value through other comprehensive income	12	2	2
Items that may be re-classified subsequently to profit or loss			
Cash flow hedge reserve	19	(1)	4
Other comprehensive income/(loss) for the year		59	(37)
Total comprehensive income for the year		724	579

There is no tax on any component of other comprehensive income for either year.

Balance Sheet

At 31 May 2021

£'million	Notes	2021	2020
Assets			
Non-current assets			
Intangible assets	8	41	27
Property, plant and equipment	9	201	274
Right-of-use assets	10	579	546
Derivative financial instruments	19	11	30
Investment in subsidiaries	11	38	39
Other non-current assets	12	32	36
		902	952
Current assets			
Trade and other receivables	13	1,271	1,273
Amounts due from members	17	40	55
Cash and bank balances		318	396
		1,629	1,724
Total assets		2,531	2,676
Liabilities			
Current liabilities			
Trade and other payables	14	780	714
Amounts due to members	17	13	22
Lease liabilities	10	60	52
Borrowings	15	212	686
Provisions	16	66	87
Retirement benefit obligation	18	6	-
Members' capital	17	4	8
		1,141	1,569
Non-current liabilities			
Borrowings	15	100	112
Retirement benefit obligation	18	-	110
Lease liabilities	10	559	513
Provisions	16	1,538	1,463
Members' capital	17	112	127
		2,309	2,325
Total liabilities		3,450	3,894
Net liabilities attributable to members		(919)	(1,218)
Equity			
Members' other reserves	17	(919)	(1,218)
		(919)	(1,218)
Supplemental information			
Members' interests			
Members' capital	17	116	135
Members' other reserves	17	(919)	(1,218)
Amounts due to members	17	13	22
Amounts due from members	17	(40)	(55)
Total members' interests		(830)	(1,116)

The financial statements on pages 11 to 66 were authorised for issue and signed on 23 September 2021 on behalf of the members of Deloitte LLP, registered number OC303675, by:

Signed on behalf of the UK Oversight Board,

Richard Houston
Senior Partner and Chief Executive

Donna Ward
Chief Financial Officer

Statement of Changes in Equity

For the year ended 31 May 2021

£'million	Members' other reserves (Note 17)
Balance at 1 June 2019	(1,232)
Profit for the year	616
Other comprehensive income for the year	(37)
Total comprehensive income	579
Allocated profit in the year	(554)
Deemed distribution to parent (Note 21)	(11)
Transactions with owners	(565)
Balance at 1 June 2020	(1,218)
Profit for the year	665
Other comprehensive income for the year	59
Total comprehensive income	724
Allocated profit in the year	(424)
Deemed distribution to parent	(1)
Transactions with owners	(425)
Balance at 31 May 2021	(919)

Cash Flow Statement

For the year ended 31 May 2021

£'million	2021	2020[1]
Profit for the year	665	616
Adjustments for		
Depreciation and amortisation	123	119
Impairment charge/(release)of financial assets	1	(5)
Profit on disposal of business (excluding transaction costs)	(192)	-
Allocation of capital profit to members	136	-
Impairment of non-current assets	26	-
Investment income[1]	(96)	(80)
Loss on disposal of property, plant and equipment	19	-
Finance costs	51	75
(Decrease)/increase in provisions	95	(68)
Retirement benefit obligations	3	-
Other non-cash movements	17	5
Operating cash inflows before movements in working capital	848	662
Decrease in trade and other receivables	62	277
Decrease in provisions	(68)	(37)
Decrease in retirement benefit obligations	(50)	(24)
Increase in trade and other payables	82	115
Net cash inflow from operating activities	874	993
Investing activities		
Acquisition of business (net of cash acquired)	(15)	(2)
Issue of loans to DTTL network firms	-	(2)
Purchase of investments	(1)	(15)
Proceeds on disposal of property, plant and equipment	1	-
Proceeds from sale of business	207	-
Repayment of investment loans by DTTL network firms	4	3
Purchase of intangible assets	(4)	-
Purchase of property, plant and equipment	(12)	(80)
Net cash generated by/ (used in) investing activities	180	(96)
Financing activities		
Payments to members	(560)	(513)
Repayment of capital to former members	(24)	(10)
Capital contributions by members	5	9
Deemed distribution to parent	(1)	(11)
New borrowings raised	35	75
Repayment of borrowings	(524)	-
Principal element of lease payments	(52)	(58)
Lease settlement proceeds	6	-
Interest paid	(17)	(21)
Net cash used in financing activities	(1,132)	(529)
Net (decrease)/increase in cash and cash equivalents	(78)	368
Cash and cash equivalents at beginning of year	396	28
	318	396
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	318	396
	318	396

[1] Investment income of £80 million previously incorrectly presented as a cash flow within investing activities has been reclassified as a non-cash investing activity, as the investment income was not settled in cash but was instead settled by offset against liabilities. A corresponding adjustment has been made to working capital movements.

Notes to the Financial Statements

For the year ended 31 May 2021

1. Basis of preparation

Deloitte LLP is incorporated in the UK as a limited liability partnership under the Limited Liability Partnerships Act 2000 and is an affiliate of Deloitte NSE LLP. Deloitte NSE LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, is the ultimate holding and controlling party of Deloitte LLP.

Deloitte LLP has not prepared group financial statements because, at the year-end, Deloitte LLP was an affiliate of Deloitte NSE LLP (registered in England and Wales) and has complied with the conditions of section 400(2) of the Companies Act 2006. The results of Deloitte LLP are consolidated into the financial statements of Deloitte NSE LLP. These financial statements present information about Deloitte LLP as an individual undertaking and not about its group.

The address of the registered office of Deloitte LLP is 1 New Street Square, London, EC4A 3HQ. The principal activities of Deloitte LLP are the provision of Advisory services, through Consulting, Financial Advisory, Risk Advisory and Tax & Legal, and Audit & Assurance services in the United Kingdom, the Channel Islands, the Isle of Man, Gibraltar and through its subsidiaries in Switzerland.

These financial statements (the 'financial statements') have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 together with those parts of the Companies Act 2006 applicable to limited liability partnerships ('LLPs').

They have been prepared under the historical cost convention except for certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies adopted in the preparation of these financial statements are set out below. All accounting policies have been consistently applied to all of the financial years presented.

These financial statements are presented in Pounds Sterling ('£') because that is the currency of the primary economic environment in which Deloitte LLP operates. Amounts in these financial statements are rounded to the nearest million unless otherwise noted.

2. Accounting policies

The following principal accounting policies have been consistently applied in dealing with items that are considered material in relation to the financial statements. Adoption of new accounting standards and accounting standards issued, but not yet effective, are dealt with in Notes 2.3 and 2.4.

2.1. Significant accounting policies

Going concern

Implications of COVID-19 on Deloitte LLP's business

The COVID-19 pandemic has had a significant impact on people, businesses and communities everywhere, creating challenges for all. In line with prior year, Deloitte LLP's overriding priorities in response to the COVID-19 crisis continued to be: protecting the health and safety of our people, clients and the community; minimising disruption to operations and client service delivery; and, preserving financial strength through cost containment and liquidity enhancement initiatives.

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Going concern (continued)

Implications of COVID-19 on Deloitte LLP's business (continued)

Despite these challenges, Deloitte LLP's client service delivery has not been materially affected with staff successfully working remotely throughout the financial year. Following the easing of lockdown restrictions across the UK from July, most of our offices have now re-opened although COVID-secure measures mean that there are limits on the number of people that can be accommodated. Deloitte LLP continues to review the guidance issued by the UK government and its devolved counterparts on how to safely enable more staff to return to its offices.

To date, Deloitte LLP has been resilient in the face of the pandemic with limited impact on financial results. During the year, revenue grew by 3.3% from £2,627 million to £2,713 million. Deloitte LLP also continued to make progress on its strategy, including a number of acquisitions and the disposal of its restructuring business. Deloitte LLP's net cash position at 31 May 2021 was £6 million (2020: net debt of £402 million) and Deloitte LLP, on this date, had undrawn facilities of £879 million (2020: £310 million). On this basis, Deloitte LLP remains in a strong financial position.

The UK Oversight Board has considered the impact that the COVID-19 pandemic has had on Deloitte LLP's financial sustainability and operational resilience and reviewed the stress testing completed as part of the going concern assessments. Consequently, it is satisfied that Deloitte LLP is in a strong position to face the ongoing challenges of the COVID-19 pandemic.

Deloitte LLP's ability to continue as a going concern

At 31 May 2021, total assets of Deloitte LLP were £2,531 million (2020: £2,676 million), and net liabilities attributable to members were £919 million (2020: £1,218 million).

Net liabilities attributable to members arise primarily as a result of the recognition in these financial statements of a provision for former and current member annuities of £1,501 million (2020: £1,437 million). The payment of member annuities is conditional on the future generation of profits and is payable over a number of years with £492 million (2020: £456 million) expected to be payable between 1 to 10 years, £245 million (2020: £232 million) expected to be payable between 10 and 15 years and £764 million (2020: £749 million) expected to be payable after 15 years. The annuity provisions are unfunded, are dependent on the future generation of profits and the annual payments are generally capped at 8% of applicable operating profit before annuity charges, as defined in the relevant agreement in any financial year. As discussed in Note 23, Subsequent events, the retirement annuity scheme has been closed to new entrants effective 1 June 2021.

In addition to the above, in these financial statements members' capital totalling £116 million (2020: £135 million) is treated as a financial liability. Capital is not repayable until the member retires or withdraws from Deloitte LLP. Members are required to give a minimum of six months' notice for exiting Deloitte LLP. Upon exiting Deloitte LLP, a member's capital must be repaid as soon as practicable after the retirement date. Again, as discussed in Note 23, Subsequent events, in February 2021 the Deloitte NSE Board, on the recommendation of the UK Senior Partner and Chief Executive and the Executive Group, approved a significant increase in Members' capital contributions designed to support Deloitte LLP's strategic growth objectives. The increase in Members' capital contributions was effective 1 June; at 31 August 2021 Members' capital contributions totalled £255 million.

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Going concern (continued)

Deloitte LLP's ability to continue as a going concern (continued)

At 31 May 2021, Deloitte LLP's net cash position was £6 million (2020: net debt of £402 million) and Deloitte LLP had undrawn facilities of £879 million (2020: £310 million). This enables Deloitte LLP to respond to opportunities and invest in new plans and ventures based on the agreed strategy, without needing specific financing. Refer to Note 15 for further details of borrowing facilities. Note 19 includes Deloitte LLP's objectives, policies and processes for managing its capital and financial risk management objectives and its exposures to credit and liquidity risk.

Deloitte LLP has a strong focus on working capital management. The UK Oversight Board, following a review of its profit and cash flow plans, has concluded that at the time of approving these financial statements Deloitte LLP has adequate resources to continue operations for at least twelve months from the date of this report. Accordingly, Deloitte LLP continues to adopt the going concern basis in preparing this report and financial statements.

Investments in subsidiaries, associates and joint ventures

Subsidiaries are entities controlled by Deloitte LLP. Associates are entities over which Deloitte LLP has significant influence but not control or joint control. Joint Ventures are entities over which Deloitte LLP has joint control. Investments in subsidiaries, associates and joint ventures are shown at cost less provision for impairment. The carrying amount of investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Acquisitions

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred and liabilities incurred by Deloitte LLP to the former owners of the acquiree in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill arises where the fair value of the consideration given for a business combination exceeds the fair value of such assets, liabilities and contingent liabilities. Goodwill is capitalised and subject to an annual impairment review. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units, or 'CGUs'). Goodwill is allocated to the CGUs that are expected to benefit from the business combination. Any impairment loss in respect of goodwill is not reversed.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

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 functional currency at the rates ruling at that date. These translation differences are recognised in the income statement.

Revenue

Deloitte LLP generates revenue primarily by delivering professional services to clients and audited entities (referred to as "customers" hereafter), with the types of services offered being similar within each of its businesses namely Audit & Assurance, Risk Advisory, Tax & Legal, Consulting and Financial Advisory. Each business offers a wide range of services and, when delivered to individual customers, these are almost always bespoke in nature. However, the performance obligations tend to be consistent from customer to customer and the ones Deloitte LLP most commonly satisfies are:

- External audit services
- Direct and indirect tax compliance services
- Technology solution design and implementation
- Reports on business or compliance issues
- Project management services

As a provider of professional services Deloitte LLP generally does not have obligations for returns, refunds or other similar obligations, nor does it have warranties or other related obligations.

Revenue is measured as the fair value of consideration received or receivable for satisfying performance obligations contained in contracts with customers, including recoverable expenses incurred on assignments but excluding value added tax. Recoverable expenses represent sub-contractor costs and disbursements incurred in respect of assignments and expected to be recovered from customers. The amount of consideration Deloitte LLP receives varies both service to service and from customer to customer, reflecting the bespoke nature of the services provided. The consideration typically reflects the skills and experience of the individuals who provide the services as well as the availability of similar skills and experience in the wider professional services market. These factors tend to vary from business to business. The consideration Deloitte LLP receives is typically based on one or more of four principal pricing mechanisms:

- Time and materials
- Fixed fee
- Contingent fee
- Per transaction processed

Deloitte LLP adjusts its estimate of revenue throughout the contractual period of services, and for amounts which are variable, such as contingent fees, at the earlier of when the most likely amount of consideration that Deloitte LLP expects to receive changes or when the consideration becomes fixed.

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Most of Deloitte LLP's contractual arrangements comprise a single performance obligation. For those contractual arrangements that comprise multiple performance obligations, the transaction price is allocated on the basis of the relative estimated stand-alone selling price of each performance obligation. Other than for contingent fee arrangements which are constrained in accordance with the requirements of IFRS 15, in virtually all contracts Deloitte LLP has an enforceable right to payment for services rendered and, given the bespoke nature of the services provided, recognises revenue over time as such services are rendered.

Revenue is recognised when Deloitte LLP has satisfied performance obligations by transferring control of services to clients. Deloitte LLP measures progress in satisfying the performance obligations as follows:

- For time and materials arrangements, Deloitte LLP is able to recognise revenue on the basis of time charged to date. This output method approach uses the practical expedient in IFRS 15 with the amount recognised as revenue reflecting the amount that Deloitte LLP has the right to invoice to its customers.
- For fixed fee arrangements, Deloitte LLP uses an input method based upon the value of the services charged to the engagement to date compared to the total expected inputs. Chargeable time for employees tends to be the most significant input and this is charged to individual contracts (and performance obligations) via timesheet reporting. Revenues are recognised as employee time is used to provide the services.
- Contingent fees are typically recognised when the contingency is resolved.
- Transaction related fees are priced on a "per unit" basis, such as data storage or data processing fees, and are typically recognised as the underlying transactions or usage take place, for the same reason as time and materials arrangements.

Deloitte LLP typically invoices its customers monthly or quarterly in arrears, or for smaller projects at the end of the engagement, but payment terms do vary depending on the types of services being offered or for individual contractual agreements. When performance obligations have been satisfied, revenue is recognised and contract assets are simultaneously created. Contract liabilities represent amounts received for performance obligations which are not yet satisfied.

Deloitte LLP has determined that no significant financing component exists in respect of its professional services as the period between when Deloitte LLP transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Unsatisfied performance obligations

The majority of services performed by Deloitte LLP are in respect of contracts with an expected duration of 1 year or less either because the goods or services are expected to be provided within a 12 month period or because the customer and/or Deloitte LLP has the right to terminate the contract without substantive penalty upon the delivery of written notice. Amounts arising from such contracts do not require disclosure. In addition, for contracts where the revenue recognised is based on the amount for which Deloitte LLP has the right to invoice, such amounts also do not require disclosure.

Trade receivables

Trade receivables are recognised initially at their transaction price as defined by IFRS 15 and subsequently measured at amortised cost less expected credit losses.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Trade receivables (continued)

Trade receivables are recognised when the right to consideration becomes unconditional and an invoice to the customer is raised. Deloitte LLP's customers, including fellow group undertakings and member firms in the DTTL network, are required to settle invoices on invoice presentation or on such other date as is agreed in the engagement terms for that customer. Deloitte LLP's standard terms state that invoices are due for settlement 30 days after the invoice date and after this date invoices are considered past due.

Contract assets

Contract assets represent revenues recognised in satisfying performance obligations where Deloitte LLP's right to consideration is conditional upon something other than the passage of time, such as our performance for other performance obligations being completed in accordance with the terms of the contract, or the final revenue amount being agreed with the customer prior to amounts being billed. These amounts become unconditional when performance obligations are completed in accordance with the terms of the contract, or when the customer has agreed to the amount of final billings. These amounts are billed to the customer in accordance with the agreed-upon contractual terms. Contract assets consist of the following balance – 'Amounts to be billed to customers' within 'Trade and other receivables'. See Note 13.

Contract liabilities

Contract liabilities arise when invoices are issued or payments are received from customers in advance of Deloitte LLP satisfying the performance obligations under the contract. These liabilities are extinguished and revenues recognised as (or when) Deloitte LLP satisfies the performance obligations. Contract liabilities are disclosed as 'Progress billings' within 'Trade and other payables'. See Note 14.

Taxation

Taxation payable on profits of Deloitte LLP is solely the personal liability of the members and is, therefore, not dealt with in these financial statements. A retention from profit distributions is made to fund the taxation payments on behalf of Deloitte LLP members.

Intangible assets

IT software comprises purchased software costs and costs directly associated with the development of software for internal use. Internally generated IT software is recognised as an asset only if all of the following conditions have been demonstrated:

a. the technical feasibility of completing the intangible asset so that it will be available for use;
b. the intention to complete the intangible asset and use it;
c. the ability to use the intangible asset;
d. how the intangible asset will generate probable future economic benefits;
e. the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
f. the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation on IT software is provided on a straight-line basis over the expected useful economic lives, typically three to fourteen years.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Intangible assets (continued)

Customer relationships, order books, brands and contracts are stated at fair value on the acquisition of a business and are amortised on a straight-line basis over the estimated useful life of the relationship, typically five to seventeen years.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not subject to amortisation.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided to write off the cost of assets less their estimated residual values, using the straight-line method, over their estimated useful lives as follows:

Leasehold improvements	:	Lesser of useful life, or period of lease
Computer equipment	:	3 - 5 years
Fixtures and fittings	:	5 - 10 years
Motor vehicles	:	4 years

The residual value, if significant, is reassessed annually in addition to useful lives.

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible assets and intangible assets including goodwill

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceed its recoverable amount.

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. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Impaired goodwill is never reversed.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Impairment of tangible assets and intangible assets including goodwill (continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of impairment is recognised immediately in profit or loss.

Cash and cash equivalents

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

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorised into levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described below:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
b. Level 2 inputs are inputs, other than quoted prices included in Level 1, that are directly or indirectly observable for the asset or liability; and
c. Level 3 inputs are unobservable inputs for the asset or liability.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when Deloitte LLP becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets
(i) Debt instruments
Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (‘FVTPL’).

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The amortised cost of a debt instrument is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts excluding expected credit losses, through the expected life of the debt instrument.

All debt instruments, which consist of notes receivable within other non-current assets, are subsequently measured using amortised cost.

(ii) Equity instruments
All investments are subsequently measured at fair value. Deloitte LLP has made an irrevocable election in relation to the equity investments currently held (on an instrument by instrument basis) to designate investments in equity instruments at FVTOCI, with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in Members' other reserves. The cumulative gain or loss is not to be reclassified to profit or loss on disposal of the equity instruments, instead, it is transferred to Members' other reserves.

Dividends on these investments in equity instruments are recognised in the income statement in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of investment. Dividends are included in the 'investment income' line item (Note 6) in the income statement.

For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income and accumulated in Members' other reserves.

Impairment of financial assets

Deloitte LLP assesses on a forward-looking basis the expected credit losses associated with its financial instruments carried at amortised cost. The expected credit losses are updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset. The impairment methodology applied is as follows:

(i) Trade receivables and contract assets
Deloitte LLP applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on industry and days past due. The contract assets relate to amounts to be billed to customers and have substantially the same risk characteristics as the trade receivables for the same types of contracts and therefore it has been concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 17 months (in the prior year a four year period was used) and the corresponding historical credit losses experienced within this period. A period of 17 months has been used in the current financial year, as this period has been deemed to be reflective of the economic conditions expected to exist during the period of exposure for the balances of trade receivables and amounts to be billed to customers. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

Deloitte LLP has considered the economic conditions and the regulatory environment for each customer industry and considered the geographical areas in which Deloitte LLP provides services.

(ii) Amounts owed by group undertakings and debt instruments

Historical data about incurred losses is utilised as a basis for assessing the expected credit loss. All amounts owed by group undertakings and debt instruments are considered to have low credit risk and therefore any loss allowance is limited to 12 months expected losses. There have been no significant changes in the economic conditions or the regulatory environment within the geographical areas in which the counterparty exists and accordingly no adjustment has been made to the historical loss rates in computing expected credit losses.

(iii) Amounts due from members

Historical data about incurred losses is utilised as a basis for assessing the expected credit loss. Amounts due from members are considered to have a low credit risk and therefore the loss allowance is limited to 12 months expected credit loss. Due to the nature of the asset, Deloitte LLP has assessed that no loss allowance is required to be recognised for expected credit losses on amounts due from members.

Definition of default

Information developed internally or obtained from external sources indicating that the counterparty is unlikely to make its contractual payments to its creditors, including Deloitte LLP is considered an event of default by Deloitte LLP as historical experience indicates that financial assets that meet the criteria are generally not recoverable.

Credit-impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the counterparty;
- it is probable that the counterparty will enter bankruptcy or other financial reorganization; and
- for reasons relating to the counterparty's financial difficulty, Deloitte LLP has granted the counterparty concessions that Deloitte LLP would not otherwise consider.

Write-off policy

Deloitte LLP writes off a financial asset when there is no reasonable expectation of recovery. Financial assets written off may still be subject to enforcement activities under Deloitte LLP's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'amortised cost' at initial recognition. All financial liabilities held by Deloitte LLP are classified at amortised cost, other than derivative instruments. Financial liabilities at amortised cost are initially measured at fair value net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when substantially all the risks and rewards of ownership of the asset are transferred to another entity.

Financial liabilities are derecognised only when Deloitte LLP's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Deloitte LLP enters into derivative financial instruments to manage its exposure to foreign exchange rate risk including cross-currency interest rate swaps, foreign currency exchange swap contracts and foreign currency forwards. Deloitte LLP recognises derivative financial instruments at the date the contract is executed. Further details of derivative financial instruments are disclosed in Note 19.

Derivatives are classified as FVTPL and initially recognised at fair value and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss in the respective period, unless the derivative is designated in an effective hedging relationship, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

As permitted by IFRS 9, an election has been made to continue to apply the hedge accounting requirements of IAS 39 rather than the new requirements of IFRS 9 and to comply with the revised annual hedge accounting disclosures as required by the related amendments to IFRS 7, *Financial Instruments: Disclosures*.

Cross-currency swaps are designated as cash flow hedges of foreign currency risk of issued fixed rate foreign currency borrowings. No fair value or net investment hedging relationships currently exist. At the inception of the hedge relationship, Deloitte LLP documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, management assesses and documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 19 sets out details of the fair values of and movements in the derivative instruments used for hedging purposes.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss and is included in other operating expenses. The following possible sources of ineffectiveness in cash flow hedge relationships have been identified:

- changes in the credit risk of the cross-currency swaps which are not matched by the hypothetical derivative; and
- changes in the embedded financing element included in the cross-currency swaps.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the hedging relationship is revoked, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss is accumulated in equity and is recognised when the hedged item is ultimately recognised in profit or loss. When a forecast transaction is no longer probable of occurring, the cumulative gain or loss accumulated in equity is recognised immediately in profit or loss.

Leases

Deloitte LLP assesses whether a contract is or contains a lease, at inception of the contract. Contracts may contain both lease and non-lease components. Deloitte LLP has elected not to separate lease and non-lease components and instead account for such contracts as a single lease. Deloitte LLP recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as small items of office furniture and equipment). For these leases, Deloitte LLP recognises the lease payments as an operating cost on a straight-line basis over the term of the lease.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by Deloitte LLP under residual value guarantees;
- the exercise price of a purchase option if Deloitte LLP is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects Deloitte LLP exercising that option.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in Deloitte LLP, the lessee's incremental borrowing rate ('IBR') is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the IBR, Deloitte LLP:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Deloitte LLP; and
- makes adjustments specific to the lease, e.g. term, country, and security.

Deloitte LLP is exposed to potential future increases in variable lease payments based on an index or rate which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost and comprise the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Where Deloitte LLP incurs an obligation to restore buildings to their original condition upon vacating them, a provision is recognised and measured under IAS 37. To the extent that the restoration costs relate to a right-of-use asset, the costs are included in the measurement of the related right-of-use asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful life of right-of-use assets are determined on the same basis as those of property, plant and equipment. The depreciation starts at the commencement date of the lease.

Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing the assets used in Deloitte LLP's operations. The majority of extension and termination options held are exercisable only by Deloitte LLP and not by the respective lessor.

Deloitte LLP remeasures the lease liability, and makes a corresponding adjustment to the related right-of-use asset, when (a) the lease term changes; (b) the lease payments change; or (c) a lease contract is modified and the lease modification is not accounted for as a separate lease. If the carrying amount of the right-of-use asset has been reduced to zero, the remeasurement adjustment is recorded in the income statement. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

Notes to the Financial Statements

For the year ended 31 May 2021

Accounting policies (continued)

2.1. Significant accounting policies (continued)

Provisions

Provisions are recognised when a present obligation (legal or constructive) as a result of a past event exists and it is probable that a settlement of that obligation will be paid and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle that obligation, at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). With respect to professional liability claims and regulatory findings, a provision representing the cost of defending and concluding claims is made in the financial statements for all claims and regulatory proceedings where costs are likely to be incurred and can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Retirement benefit obligations

Deloitte LLP provides retirement benefits through defined contribution schemes and a defined benefit scheme.

Payments to defined contribution schemes are recognised as an expense when employees have rendered service entitling them to the contributions. To the extent that amounts remain unpaid at the balance sheet date, the amounts are included in trade and other payables.

The cost of providing benefits under the defined benefit pension scheme is determined using the projected unit credit method, with actuarial valuations carried out at each balance sheet date. Re-measurements, comprising of actuarial gains and losses and the return on Scheme assets (excluding amounts included in finance costs) are recognised immediately in the balance sheet with a corresponding debit or credit to members' other reserves through other comprehensive income in the period in which they occur; such reserves are not be reclassified to the income statement.

Net interest cost is calculated by applying a discount rate to the net defined benefit liability or asset; net interest cost is presented as a finance cost.

Changes in the present value of the defined obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

A liability is recognised to the extent that minimum funding requirement contributions payable will not be available after they are paid into the plan when the obligation arises.

The retirement benefit obligation recognised in the balance sheet represents the deficit in Deloitte LLP's defined benefit pension scheme.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Members

Annuities to current and former members

Deloitte LLP provides for retirement annuities payable to members with a minimum of ten years' service in their capacity as members. Such annuities are unfunded and are, generally, conditional upon the future generation of profits. The retirement annuities provision reflects the present value of obligations arising from services to date.

Any changes in the annuities provision from changes in entitlements, financial estimates or actuarial assumptions are recognised in the income statement as part of other operating expenses. The unwinding of discount is presented in the income statement as part of finance cost.

The annuity liability for former and current members is included in provisions on the face of the balance sheet. The portion of the liability expected to be paid to former members within one year of the balance sheet date is classified as a current provision, while the remainder is classified as a non-current liability.

Members' capital

The capital requirements for Deloitte LLP are determined by the Deloitte NSE Board, with input from the Senior Partner and Chief Executive. Each member is required to subscribe to capital. The capital contribution is calculated in relation to the allocated number of units for each member. No interest is paid on capital.

Capital is not repayable until the member retires or withdraws from Deloitte LLP. Members are required to give a minimum of six months' notice for exiting Deloitte LLP, which notice period must expire at the end of the financial year unless otherwise agreed by Deloitte LLP. Upon exiting Deloitte LLP, a member's capital must be repaid as soon as practicable after the retirement date. Members' capital is classified as a financial liability. Capital attributable to members who will be retiring within one year after the balance sheet date is classified as a current liability.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Members (continued)

Allocation of profits

The allocation of profit is at the discretion of the Deloitte NSE Board in accordance with the formal partner remuneration procedures in place. Each partner shares in profit based on the proportion of units allocated to them. The Deloitte NSE Board, on recommendation of the Deloitte NSE Chief Executive, considers factors which, among others, include the quality of work and customer and management responsibilities in the determination of the allocation of profits to the individual members. The Audit Non-Executives also have oversight of the policies and processes for ensuring audit partner remuneration reflects their contribution to audit quality.

Profits available for discretionary allocation are classified as equity and included within members' other reserves.

Non-discretionary payments to members

Payments to certain members, which arise in relation to an employment contract, or a different form of contractual obligation such as capital profits, have been charged to the income statement in the year.

Amounts due to/(from) members

Current amounts due to and from members are stated at their nominal value, as this approximates to the amortised cost.

Members are entitled to draw a monthly amount against their expected share of the profit during the course of the year. The Senior Partner and Chief Executive sets the level of members' monthly drawings, with the approval of the Deloitte NSE Board.

The final allocation of profits and distribution to members is made after assessing each member's contribution for the year and once the annual financial statements are approved. Unallocated profits are included in reserves within members' other reserves in equity.

Where a member's drawings exceed the actual profit allocation during the year, the net amount due from the member is included under current assets in amounts due from members. If the profit allocation exceeds the members drawing, the net amount is included under current liabilities within amounts due to members. This number is determined on a member-by-member basis. The amounts due to or from members that retired during the current year are classified on the same basis.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.2. Critical accounting judgements and key sources of estimation

The preparation of financial statements in conformity with IFRS requires management 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 principal judgements and key sources of estimation that could have a significant effect upon the financial results relate to the following:

Critical judgements made in relation to Deloitte LLP

Revenue recognition: Identification of performance obligations

Determining the number of performance obligations in the contractual arrangements with Deloitte LLP's customers sometimes involves significant judgement. Whilst Deloitte LLP's contractual arrangements often contain extensive details in relation to the goods or services to be provided, in many cases these are considered to comprise a single performance obligation. Even when multiple deliverables are to be provided to a customer these are often judged to be a single performance obligation either because there is a significant integration of service performed by Deloitte LLP in delivering these services or because the services represent a series of substantially similar services all recognised over time (for example, the provision of multiple internal audit reports under an internal outsourcing contract).

If performance obligations were determined differently, then this could affect both the timing and extent of revenue recognised in a financial period. Where Deloitte LLP are delivering multiple performance obligations, these are often delivered at the same time, so the determination of what performance obligations exists has limited practical impact on the accounting for revenue. See Note 3, Revenue.

Key sources of estimation identified for Deloitte LLP

Revenue stage of completion

In determining revenue on customer engagements, management makes certain estimates as to the stage of completion of those engagements. Management estimates the remaining time and external costs to be incurred in completing the engagements and the customer's willingness and ability to pay for the services provided. A different assessment of the outturn on an engagement may result in a different value being determined for revenue and also a different carrying value being determined for unbilled revenue for customer work. See Note 3, Revenue.

Retirement benefit obligation

The pension liability under the defined benefit scheme has been independently valued. The liability for the defined benefit scheme is sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate, mortality and inflation. Further details of the estimates and assumptions are set out in Note 18. Deloitte LLP continues to review these assumptions against experience and market data and adjustments will be made in future periods where appropriate.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

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

Key sources of estimation identified for Deloitte LLP (continued)

Provision for member annuities

Deloitte LLP has used certain assumptions in determining the value of the provision for retirement annuities. The liabilities disclosed for member annuities are sensitive to movements in the future profit assumptions and the related actuarial assumptions, in particular those relating to discount rate, inflation rate and mortality. Further details of the estimates and assumptions are set out in Note 16. Deloitte LLP will continue to review these assumptions against Deloitte LLP's experience and market data, and adjustments will be made in future periods where appropriate.

Provision for claims and regulatory proceedings

The liabilities disclosed for claims and regulatory proceedings are determined by assessing the probable outcome of claims and regulatory proceedings and estimating the level of costs likely to be incurred in defending and concluding these matters. Further details of the estimate are set out in Note 16.

2.3. Amendments to IFRSs adopted by Deloitte LLP

In the current year, Deloitte LLP has applied the following new standards:

Interbank Offered Rates (IBOR) reform Phase 2

Deloitte LLP has early adopted the amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases' relating to the Interest Rate Benchmark Reform - Phase 2 from 1 June 2020. The adoption of this amendment did not result in a financial impact to Deloitte LLP as the partnership hedges against foreign currency exposures, rather than interest rate risk.

Other new standards that have been adopted in the current year but have not had a significant effect on the Deloitte LLP are:

- Amendments to IFRS 3 *Business Combinations* effective for periods beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors*: Definition of material - effective for periods beginning on or after 1 January 2020;
- Conceptual Framework: Amendments to References to the Conceptual framework in IFRS Standards - effective for periods beginning on or after 1 January 2020; and
- Amendments to IFRS 16 *Leases*: Covid-19-Related Rent Concessions - effective for periods beginning on or after 1 June 2020.

Notes to the Financial Statements

For the year ended 31 May 2021

2. Accounting policies (continued)

2.4. Impact of standards issued but not yet applied by Deloitte LLP

In preparing these financial statements, Deloitte LLP has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 16 *Leases*: Covid-19-Related Rent Concessions beyond 30 June 2021 – effective for periods beginning on or after 1 April 2021;
- Amendments to IFRS 3 *Business Combinations*: Reference to the Conceptual Framework - effective for periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*: Onerous contracts - effective for periods beginning on or after 1 January 2022;
- 2018-2020 annual improvements cycle: Amendments to four International Reporting Standards (IFRSs) as a result of the IASB's annual improvements project - effective for periods beginning on or after 1 January 2022;
- Amendments to IAS 16 *Property, Plant and Equipment*: Proceeds before intended use - effective for periods beginning on or after 1 January 2022;
- Amendments to IAS 1 *Presentation of financial statements*: Amendments on classification - effective for periods beginning on or after 1 January 2023;
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors*: Definition of accounting estimate – effective for periods beginning on or after 1 January 2023;
- Amendments to IAS 1 *Presentation of financial statements* and IFRS Practice Statement 2 *Making Materiality Judgements*: Disclosure of accounting policies – effective for periods beginning on or after 1 January 2023; and
- Amendments to IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective for periods beginning on or after 1 January 2023.

Deloitte LLP does not expect that the adoption of the standards listed above will have a material impact on the financial statements of Deloitte LLP in future periods.

3. Revenue

The table below shows Deloitte LLP’s revenue from contracts with customers by business.

£’million	2021	2020
Audit & Assurance	655	627
Consulting	74	38
Financial Advisory	571	519
Risk Advisory	478	533
Tax & Legal	935	910
	2,713	2,627

Deloitte LLP has applied the practical expedient set out in IFRS 15 in respect of the presentation of the transaction price allocated to partially or fully unsatisfied contracts with customers where the contract period is for a year or less or where the right to consideration corresponds directly to the performance completed to date. As at 31 May 2021 there were no material fixed price contracts with durations greater than a year (2020: nil).

Notes to the Financial Statements

For the year ended 31 May 2021

4. Staff costs

The average number of members and employees, on a full-time equivalent basis, during the year were:

Number	2021	2020
Members	691	709
Employees	14,148	13,888
	14,839	14,597

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

£'million	2021	2020
Salaries[1]	905	878
Social security costs	102	95
Pension costs (Note 18)		
Defined contribution	83	108
Defined benefit – past service cost	3	-
	1,093	1,081

[1] *Salaries include salaries, wages, bonuses and employee benefits excluding pension costs.*

5. Other operating expenses

Other operating expenses comprise:

£'million	2021	2020
Current and former member annuities (Note 16)		
Annuities to current members		
Current year charge	36	38
Actuarial losses/(gains)	13	(93)
Annuities to former members		
Actuarial losses/(gains)	31	(49)
Total current and former member annuities	80	(104)
Expenses and sub-contractor costs on customer assignments	662	713
Impairment charges on non-current assets (Notes 8, 9, 10 & 11)	25	-
Net impairment loss/(reversal of impairment loss) on financial assets	1	(5)
Other[1]	157	212
	925	816

[1] *Other primarily comprises DTTL subscription fees, IT costs, non-discretionary payments to members, consultants' costs, professional fees, property costs and rental expense on short-term leases.*

Total fees and expenses payable to Deloitte LLP's auditors, BDO LLP, for the year ended 31 May 2021 were £0.9 million (2020: £0.4 million). This comprised audit fees of £0.4 million (2020: £0.4 million) relating to Deloitte LLP, fees for audit-related assurance services of £65,000 (2020: £18,000) relating to reporting on government grant certifications and fees for other assurance services of £500,000 (2020: £nil) relating to due diligence in connection with the sale of Deloitte LLP's restructuring practice (Note 20).

Notes to the Financial Statements

For the year ended 31 May 2021

6. Investment income

£'million	2021	2020
Dividend income	84	69
Distribution from subsidiaries	12	11
	96	80

7. Finance costs

£'million	2021	2020
Interest on borrowings	2	10
Interest on lease liabilities (Note 10)	12	11
Factoring costs	14	15
Unwinding of discount on provisions (Note 16)	22	37
Net interest expense on pension scheme obligations (Note 18)	1	2
	51	75

Notes to the Financial Statements

For the year ended 31 May 2021

8. Intangible assets

£'million	Goodwill	IT software	Customer relationships, order books, brands and contracts	Total
Cost				
At 1 June 2019	3	31	14	48
Acquisition of subsidiary	2	-	-	2
Transfer	-	2	-	2
At 31 May 2020	5	33	14	52
Additions	14	4	-	18
Transfer	-	1	-	1
At 31 May 2021	19	38	14	71
Amortisation/Impairment				
At 1 June 2019	-	18	5	23
Amortisation charge for the year	-	1	1	2
At 31 May 2020	-	19	6	25
Amortisation charge for the year	-	3	1	4
Impairment charge for the year	-	-	1	1
At 31 May 2021	-	22	8	30
Net book value				
At 31 May 2021	19	16	6	41
At 31 May 2020	5	14	8	27

Amortisation of intangible assets is included in 'Depreciation and amortisation' in the income statement. Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of CGUs that are expected to benefit from that business combination. The allocation of goodwill to each of Deloitte LLP's CGUs is as follows:

£'million	2021	2020
Financial Advisory	2	-
Tax & Legal	17	5
	19	5

Impairment review

The recoverable amount of goodwill has been determined based on value in use, being the present value of future cash flows based on current forecasts, with key assumptions as set out below:

Percentage	2021	2020
Terminal growth rate	2.1 – 2.7%	2%
Discount rate	7.8%	7.3 - 7.8%

A reasonably possible change in the key assumptions would not cause the carrying amount of any of the CGUs to exceed its recoverable amount.

Notes to the Financial Statements

For the year ended 31 May 2021

9. Property, plant and equipment

£'million	Leasehold improvements	Computer equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Total
Cost						
At 1 June 2019	264	109	55	24	49	501
Transfer to Right-of-use assets	(30)	-	-	-	-	(30)
At 1 June 2019	234	109	55	24	49	471
Additions	-	16	-	6	58	80
Transfer	35	22	13	-	(72)	(2)
Disposals	-	(3)	-	(7)	-	(10)
At 31 May 2020	269	144	68	23	35	539
Additions	-	8	-	1	3	12
Transfer	7	13	5	-	(26)	(1)
Disposals	(19)	(57)	(4)	(24)	(5)	(109)
At 31 May 2021	257	108	69	-	7	441
Depreciation/Impairment						
At 1 June 2019	111	64	33	10	-	218
Transfer to Right-of-use assets	(6)	-	-	-	-	(6)
At 1 June 2019	105	64	33	10	-	212
Charge for the year	17	33	6	3	-	59
Disposals	-	(3)	-	(3)	-	(6)
At 31 May 2020	122	94	39	10	-	265
Charge for the year	17	29	7	2	-	55
Disposals	(17)	(57)	(3)	(12)	-	(89)
Impairment charge (Note 10)	8	1	-	-	-	9
At 31 May 2021	130	67	43	-	-	240
Net book value						
At 31 May 2021	127	41	26	-	7	201
At 31 May 2020	147	50	29	13	35	274

Capital commitments relating to property, plant and equipment contracted but not provided for at 31 May 2021 amounted to £3 million (2020: £nil) and related principally to leasehold improvements. Assets under construction related to the costs of leasehold improvements of £3 million (2020: £25 million) and IT costs of £4 million (2020: £nil).

Notes to the Financial Statements

For the year ended 31 May 2021

10. Leases

Movements in the right-of-use assets during the year were as follows:

£'million	Buildings	Equipment	Motor vehicles	Total
Cost				
At 1 June 2019	585	11	2	598
Additions	7	-	2	9
Disposals	(1)	-	(1)	(2)
Other movements[1]	(4)	1	-	(3)
At 31 May 2020	587	12	3	602
Additions	125	-	5	130
Disposals	(10)	-	(1)	(11)
Other movements[1]	(15)	(2)	-	(17)
At 31 May 2021	687	10	7	704
Depreciation/Impairment				
At 1 June 2019	-	-	-	-
Disposals	(1)	-	(1)	(2)
Depreciation charge for the year	54	2	2	58
At 31 May 2020	53	2	1	56
Depreciation charge for the year	60	2	2	64
Impairment charge for the year	15	-	-	15
Disposals	(10)	-	-	(10)
At 31 May 2021	118	4	3	125
Net book value				
At 31 May 2021	569	6	4	579
At 31 May 2020	534	10	2	546

[1]*Other movements include lease modifications and reassessments.*

For the year ended 31 May 2021, Deloitte LLP recorded impairment charges of £15 million and £9 million in respect of right-of-use assets and property, plant and equipment (Note 9) respectively. These right-of-use assets, along with associated leasehold improvements and IT assets, have been impaired due to decisions made during the year to exit all or part of those buildings. All impairment charges are recognised in the income statement within other operating expenses.

Notes to the Financial Statements

10. Leases (continued)

Movements in the lease liabilities during the year were as follows:

£'million	Buildings	Equipment	Motor vehicles	Total
At 1 June 2019	604	11	2	617
Additions	6	-	3	9
Finance charges	11	-	-	11
Payments	(58)	(2)	(2)	(62)
Other movements[1]	(10)	-	-	(10)
At 31 May 2020	553	9	3	565
Additions	121	-	5	126
Finance charges	12	-	-	12
Payments	(59)	(2)	(3)	(64)
Other movements[1]	(18)	(2)	-	(20)
At 31 May 2021	609	5	5	619

£'million	2021	2020
Included in current liabilities	60	52
Included in non-current liabilities	559	513
	619	565

[1]*Other movements include lease modifications and reassessments.*

The maturity analysis (contractual undiscounted lease payments) of lease liabilities is presented in Note 19.

Deloitte LLP leases several assets including buildings, equipment and vehicles. At 31 May 2021, the weighted average remaining lease term is 13 years (2020: 14 years). Such lease arrangements typically include extension and termination options which are exercised in line with business need.

Amounts recognised in the income statement consists of:

£million	2021	2020
Depreciation expense on right-of-use assets	64	58
Impairment charge on right-of-use assets	15	-
Interest expense on lease liabilities	12	11
Expense relating to short-term leases	4	6
Income from sub-leasing right-of-use assets	-	(2)

At 31 May 2021, Deloitte LLP is committed to £nil (2020: £2 million) for short-term leases.

The total cash outflow for leases in the year ended 31 May 2021 consists of fixed payments of £64 million (2020: £67 million). There are no variable payments.

At 31 May 2021, Deloitte LLP had £nil commitments (2020: £11 million) in relation to leases that have been signed but have not commenced.

Notes to the Financial Statements

For the year ended 31 May 2021

11. Investments

£'million	Subsidiary undertakings	Associate undertakings	Total
Cost			
At 1 June 2019	46	13	59
Additions	1	-	1
Disposals	(6)	-	(6)
Transfer	-	10	10
At 31 May 2020	41	23	64
Disposals	-	(14)	(14)
Transfer	-	8	8
At 31 May 2021	41	17	58
Provision			
At 1 June 2019	4	13	17
Disposals	(2)	-	(2)
Transfer	-	10	10
At 31 May 2020	2	23	25
Disposals	-	(14)	(14)
Charge for the year	1	-	1
Transfer	-	8	8
At 31 May 2021	3	17	20
Net book value			
At 31 May 2021	38	-	38
At 31 May 2020	39	-	39

During the year, Deloitte LLP disposed of 100% of its equity interest in associate undertaking, Deloitte Professional Services ('DIFC') Limited. At the date of disposal, the net book value of Deloitte LLP's interest in DIFC was nil. No gain or loss was recognised on disposal.

Notes to the Financial Statements

For the year ended 31 May 2021

12. Other non-current assets

£'million	Equity investments at fair value through other comprehensive income	Financial assets at amortised cost	Total
Cost			
At 1 June 2019	2	43	45
Additions	3	6	9
Revaluation	2	-	2
Repayment	-	(3)	(3)
Transfer	-	(10)	(10)
Exchange differences	-	1	1
At 31 May 2020	7	37	44
Additions	1	3	4
Revaluation	2	1	3
Repayment	-	(4)	(4)
Transfer	-	(8)	(8)
Exchange differences	-	(4)	(4)
At 31 May 2021	10	25	35
Provision			
At 1 June 2019	1	25	26
Charge for the year	-	(7)	(7)
Transfer	-	(10)	(10)
Exchange differences	-	(1)	(1)
At 31 May 2020	1	7	8
Charge for the year	-	4	4
Transfer	-	(8)	(8)
Exchange differences	-	(1)	(1)
At 31 May 2021	1	2	3
Net book value			
At 31 May 2021	9	23	32
At 31 May 2020	6	30	36

Equity investments at fair value through other comprehensive income represent equity interests which are not held for trading and which Deloitte LLP has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and Deloitte LLP considers this classification to be more relevant.

Financial assets at amortised cost include the following debt instruments:

	2021			2020		
£'million	Current	Non-current	Total	Current	Non-current	Total
Loans to related parties	-	25	25	-	37	37
Less: Loss allowance	-	(2)	(2)	-	(7)	(7)
	-	23	23	-	30	30

Notes to the Financial Statements

For the year ended 31 May 2021

13. Trade and other receivables

£'million	2021	2020
Customer receivables	436	479
Due from DTTL network firms	45	64
Trade receivables	481	543
Amounts to be billed to customers	460	430
Amounts owed by Group undertakings	271	256
Prepayments	31	29
Other receivables	28	15
	1,271	1,273

The carrying amount of 'Trade receivables' approximates to their fair value.

Loss allowance

The closing loss allowances reconcile to the opening loss allowances as follows:

	Trade receivables		Amounts to be billed to customers	
£'million	2021	2020	2021	2020
Balance at the beginning of the year	16	13	3	3
Increase in loss allowance recognised during the year	9	10	-	-
Individually credit impaired receivables	3	5	-	-
Unused amount reversed	(11)	(10)	-	-
Receivables written off during the year as uncollectable	(3)	(2)	-	-
As at the end of the year	14	16	3	3

The loss allowance as at 31 May 2021 was determined as follows:

	Trade Receivables						
£'million	30 days or less	31 to 90 days	91 to 180 days	More than 181 days[1]	Total	Amounts to be billed to customers	Total
Gross carrying amount	241	182	46	26	495	463	958
Expected credit loss rate	0.56%	0.98%	3.17%	6.18%		0.56%	
Collectively assessed loss allowance	1	2	1	2	6	3	9
Individually assessed loss allowance	-	-	-	8	8	-	8
Total loss allowance	1	2	1	10	14	3	17

[1] *Gross carrying amount includes individually credit impaired receivables of £8 million which were excluded from the Expected Credit Loss rate calculation.*

13. Trade and other receivables (continued)

The loss allowance as at 31 May 2020 was determined as follows:

	Trade Receivables						
£'million	30 days or less	31 to 90 days	91 to 180 days	More than 181 days[1]	Total	Amounts to be billed to customers	Total
Gross carrying amount	242	232	46	39	559	433	992
Expected credit loss rate	0.74%	1.26%	4.65%	11.94%		0.74%	
Collectively assessed loss allowance	2	3	2	4	11	3	14
Individually assessed loss allowance	-	-	-	5	5	-	5
Total loss allowance	2	3	2	9	16	3	19

[1] *Gross carrying amount includes individually credit impaired receivables of £5 million which were excluded from the Expected Credit Loss rate calculation.*

Factoring arrangements

The carrying amounts of the trade receivables include amounts that are subject to a factoring arrangement. Under this arrangement, Deloitte LLP has transferred relevant receivables to the pension funding partnership and is prevented from selling or pledging the receivables. During the year, Deloitte LLP serviced, administered and collected the trade receivables. Deloitte LLP retained the credit risk due to a minimum asset value guarantee provided to the pension funding partnership and therefore recognised the transferred assets in their entirety in the balance sheet. The amount repayable under the factoring agreement is presented as Borrowings.

In May 2021, Deloitte LLP and the Scheme Trustees reached an agreement to fully fund the UK Scheme on a low risk basis and to collapse the Pension Funding Partnership structure. In addition, subsequent to year end and as disclosed elsewhere, Deloitte LLP agreed to purchase the factored trade receivables from the Pension Funding Partnership for a consideration of £75 million at which point the factoring arrangements ceased. See Note 23.

14. Trade and other payables

£'million	2021	2020
Progress billings	219	176
Trade payables	10	26
Due to DTTL network firms	38	41
Amounts due to Group undertakings	118	28
Social security and other taxes	26	174
Accruals	337	257
Other	32	12
	780	714

The carrying amount of 'Trade payables' and 'Due to DTTL network firms' approximates to their fair value.

During 2021, £171 million (2020: £131 million) of Deloitte LLP's £176 million (2020: £159 million) prior year recorded progress billings were recognised as revenue.

At 31 May 2021, social security and other taxes decreased by £148 million as a result of the deferred UK VAT payments due at 31 May 2020, in response to the uncertainty caused by the Covid-19 pandemic, which were settled in full in July 2020.

15. Borrowings

£'million	2021	2020
Secured borrowings at amortised cost		
Factoring arrangements (see Note 13)	212	191
Unsecured borrowings at amortised cost		
Private Placement Loan Notes	100	127
Bank loans	-	480
	100	607
Amounts due for settlement within 12 months	212	686
Amounts due for settlement after 12 months	100	112
	312	798

Bank loans represent Deloitte LLP's liability under revolving credit facilities with various banks. The revolving credit facilities have interest periods ranging from seven days to twelve months or any other period agreed between Deloitte LLP and the banks. The loans carry an interest rate which is the aggregate of LIBOR and a margin besides customary commitment and utilisation fees. The weighted average interest cost of the bank loans during the year was 3.11%.

Private Placement Loan Notes (the 'Notes')

The coupons and maturities on Deloitte LLP's Private Placement Loan Notes are as follows:

Title	Year Issued	Principal Value	Maturity	Semi Annual Coupon
Series B	2013	US$126 million	23 October 2023	4.40%
Series C	2013	£10 million	23 October 2023	4.16%

The weighted average interest cost of the Notes during the year was 4.35%. Deloitte LLP has an option to prepay at any time all, or any part (not less than 5% of the aggregate principal amount of the Notes of all series then outstanding) of the Notes at the principal (including accrued interest) plus a make-whole premium.

Furthermore, upon the occurrence of certain events, the Notes can be prepaid at the option of Deloitte LLP or the holder at the principal (including accrued interest) or the principal plus a make-whole premium dependent upon the event that has occurred.

At the date of issuance of the Notes, Deloitte LLP entered into cross-currency swap agreements to eliminate the variability in US dollar cash flows associated with the Series B Notes. These swaps expire in line with the Notes and are disclosed in Note 19.

15. Borrowings (continued)

Other facilities

In addition to the Notes of £100 million (2020: £127 million), at 31 May 2021 Deloitte LLP had total facilities of £879 million (2020: £790 million) with leading international banks. These facilities included revolving credit facilities totalling £849 million of which £129 million expires on 30 September 2021, £150 million is due to expire on 8 May 2022 and £570 million is due to expire on 30 September 2023 and £30 million overdraft facilities, of which £20 million are due to expire on 30 September 2021 and £10 million are indefinite. At 31 May 2021, nil (2020: £480 million) had been drawn down against these facilities. These facilities are considered adequate to finance variations in Deloitte LLP's working capital. See Note 23 Subsequent events for details of refinancing.

Cash flow reconciliations

The table below details changes in Deloitte LLP's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in Deloitte LLP's cash flow statement from financing activities.

£'million	Non-current borrowings	Current borrowings	Lease liability	Members' capital	Amounts due (from)/to members
At 1 June 2019	124	591	-	136	(74)
Lease liability recognised [2]	-	-	617	-	-
At 1 June 2019	124	591	617	136	(74)
New borrowings raised	-	75	-	-	-
Capital contributions by members	-	-	-	9	-
Repayment of capital to former members	-	-	-	(10)	-
Lease payments	-	-	(69)	-	-
Payments to members	-	-	-	-	(513)
Foreign exchange movements	3	-	-	-	-
Transfer	(15)	15	-	-	-
Other non-cash movements[1]	-	5	17	-	554
At 31 May 2020	112	686	565	135	(33)
At 1 June 2020	112	686	565	135	(33)
New borrowings raised	-	35	-	-	-
Repayment of borrowings	-	(524)	-	-	-
Capital contributions by members	-	-	-	5	-
Repayment of capital to former members	-	-	-	(24)	-
Lease payments	-	-	(64)	-	-
Payments to members	-	-	-	-	(560)
Foreign exchange movements	(12)	(3)	-	-	-
Other non-cash movements[1]	-	,18	118	-	566
At 31 May 2021	100	212	619	116	(27)

[1] *Other non-cash movements relate to the allocation of profit to members, debt factoring movements and finance cost, lease liabilities movements' and finance cost.*

[2] *Deloitte LLP adopted IFRS 16 on 1 June 2019.*

Notes to the Financial Statements

For the year ended 31 May 2021

16. Provisions and contingent liabilities

£'million	Former member annuities	Current member annuities	Property provisions	Professional liability claims	Total
At 1 June 2019	881	673	54	24	1,632
Charge for the year	-	38	11	25	74
Transfer	48	(48)	-	-	-
Paid in year	(35)	-	-	(2)	(37)
Reclassification to accruals	(14)	-	-	-	(14)
Unwinding of discount (Note 7)	20	16	1	-	37
Actuarial gains	(49)	(93)	-	-	(142)
At 31 May 2020	851	586	66	47	1,550
Charge for the year	-	36	-	26	62
Additions	-	-	5	-	5
Transfer	86	(86)	-	-	-
Paid in year	(38)	-	(2)	(28)	(68)
Unused amount released	-	-	(11)	-	(11)
Unwinding of discount (Note 7)	13	9	-	-	22
Actuarial losses	31	13	-	-	44
At 31 May 2021	943	558	58	45	1,604
Income statement charge/(credit)					
2021	44	58	(11)	26	117
2020	(29)	(39)	11	25	(32)

£'million	2021	2020
Included in current liabilities	66	87
Included in non-current liabilities	1,538	1,463
	1,604	1,550

Former and current members' annuities

Annuities payable to former and current members, including early retirement annuities, are unfunded. In the case of retirement annuities, payment is generally conditional upon the future generation of profits in any year and such payments are generally capped at 8% of the operating profit before annuity charges, as defined in the relevant agreement.

The annuities provision represents the estimated present value of Deloitte LLP's future obligation.

The principal actuarial assumptions used in calculating the provision, after the application of mortality rates, are as follows:

Percentage	2021	2020
Discount rate[1]	2.0	1.6
Inflation rate	3.3	2.7

[1] *The discount rate is based on the yield on the Over 15 Year AA-Rated Corporate Bond Index.*

Notes to the Financial Statements

For the year ended 31 May 2021

16. Provisions and contingent liabilities (continued)

Former and current members' annuities (continued)

The assumed discount rate, inflation rate and future profitability of Deloitte LLP have a significant effect on the annuities provision. At 31 May 2021, the total provision of £1,501 million (2020: £1,437 million) increased by £90 million included within net 'Actuarial losses' as a result of increase in current year profit forecast. The table below shows the sensitivity of the annuities provision at 31 May 2021 to changes in these assumptions.

Assumptions	Change in assumption	£'million (Decrease)/ increase
	Increase by 0.25%	(60)
Discount rate	Decrease by 0.25%	64
	Increase by 0.25%	17
Inflation rate	Decrease by 0.25%	(17)
	Increase by 0.25%	43
Long-term assumption for annual increase in gross profit	Increase by 0.50%	87

The post retirement mortality of the members is assumed to be in line with Self-Administered Pension Scheme (S2) light birth year tables with scaling factors for each member class as determined by the Actuary's Longevity Model with Core Continuous Mortality Investigation ('CMI') 2020 improvements with a long-term rate of 1.25%. The assumed life expectancies on retirement at age 60 are:

Number of years	2021	2020
Retiring today:		
Males	27	27
Females	29	29
Retiring in 20 years:		
Males	29	29
Females	30	30

Property provisions

Provisions are recognised for obligations to restore premises to their original condition upon vacating them, where such an obligation exists under the lease. The provisions are based on estimated future cash flows discounted to present value, with the amortisation of that discount presented in the income statement as a finance cost.

Property provisions of £58 million (2020: £66 million), are expected to be utilised by 2036 (2020: 2037).

Professional liability claims

Deloitte LLP and its partners are involved in a number of disputes in the ordinary course of business which may give rise to claims or regulatory proceedings. A provision representing the cost of defending and concluding claims or regulatory proceedings is made for all matters where costs are likely to be incurred and can be measured reliably. Deloitte LLP carries professional indemnity insurance and no separate disclosure is made of the detail of claims covered by insurance as to do so could seriously prejudice the position of Deloitte LLP.

Notes to the Financial Statements

For the year ended 31 May 2021

17. Members' interests

£'million	Members' capital	Members' interests Members' other reserves	Amounts due to/(from) members	Total
At 1 June 2019	136	(1,232)	(74)	(1,170)
Total comprehensive income for the year				
Profit for the year	-	616	-	616
Other comprehensive loss for the year	-	(37)	-	(37)
	136	(653)	(74)	(591)
Operating profit allocated to members	-	(554)	554	-
Capital contributions by members	9	-	-	9
Repayment of capital	(10)	-	-	(10)
Payments to members	-	-	(513)	(513)
Deemed distribution to parent (Note 21)	-	(11)	-	(11)
At 31 May 2020	135	(1,218)	(33)	(1,116)
Total comprehensive income for the year				
Profit for the year	-	665	-	665
Other comprehensive income for the year	-	59	-	59
	135	(494)	(33)	(392)
Operating profit allocated to members	-	(424)	424	-
Capital profit distributable to members	-	-	136	136
Capital contributions by members	5	-	-	5
Repayment of capital	(24)	-	-	(24)
Payments to members	-	-	(560)	(560)
Transfer out – Retired members' balances (net)[1]	-	-	6	6
Deemed distribution to parent	-	(1)	-	(1)
At 31 May 2021	116	(919)	(27)	(830)

[1] *These balances have been transferred out of 'Amounts due to/from' members to 'Other debtors' and 'Other creditors'.*

The assets and liabilities related to member' interests are classified as:

£'million	Members' capital	Amounts due from members	Amounts due to members
2021			
Non-Current	112	-	-
Current	4	(40)	13
	116	(40)	13
2020			
Non-Current	127	-	-
Current	8	(55)	22
	135	(55)	22

Members' capital is classified as a financial liability, because it is repayable when a member leaves Deloitte LLP. The negative members' interests arise as a result of the members' distributable profit being determined by Deloitte LLP's management accounts, which are based on different accounting policies to these financial statements. The most significant difference between these financial statements and Deloitte LLP's management accounts is the provision of former and current member annuities of £943 million (2020: £851 million) and £558 million (2020: £586 million) respectively. The payment of this annuity liability, which totals £1,501 million (2020: £1,437 million), is generally conditional on the future generation of profits and is payable over a number of years with £492 million (2020: £456 million) expected to be payable between 1 to 10 years, £245 million (2020: £232 million) payable between 10 and 15 years and £764 million (2020: £749 million) payable after 15 years.

17. Members' interests (continued)

Deloitte LLP's distributable profits are allocated according to members' units. The unit allocation is completed after year-end and accordingly, there was no automatic allocation of profits among the members at 31 May 2021. As a result, the balance of profit available for division among the members as at 31 May 2021 is included in members' other reserves. Members' other reserves rank after unsecured creditors and loans, and other debts due to members ranking pari passu with unsecured creditors in the event of a winding up.

Members' profit share

Profits are shared amongst the members after the end of the year in accordance with agreed profit-sharing arrangements.

Key management personnel

Key Management Personnel ('KMP') are those members who are responsible for planning, directing and controlling the activities of Deloitte LLP. During the year, roles and responsibilities amongst the UK and NSE Executive Groups were redefined in light of the increasing size and complexity of Deloitte NSE which resulted in a change in the composition of the members who are defined as KMP for Deloitte LLP. For the year ended 31 May 2021, KMP of Deloitte LLP comprised 9 members (2020: 7 members) and their profit entitlement was £14 million (2020: £6 million). At 31 May 2021, the amount due to the KMP of Deloitte LLP is £0.7 million (2020: £0.7 million) and the amount due from them is £0.3 million (2020: £0.1 million).

Where a member of the KMP sits on both the UK and NSE Executive Groups, only the proportion of their profit share relating to their services provided to Deloitte LLP have been included.

18. Retirement benefit schemes

The cost of employee benefits included in the income statement for the year was:

£'million	2021	2020
Contributions to defined contribution scheme (Note 4)	83	108
Past service cost for defined benefit pension schemes and net interest cost	4	2
	87	110

Defined contribution scheme

Deloitte LLP's primary defined contribution scheme, the Deloitte Pension Plan ('DPP'), is a defined contribution master trust arrangement operated by Standard Life where the assets are held separately from those of Deloitte LLP. The DPP is open for employees in the UK, Jersey and Guernsey (except those employees who retained their personal pension policy arrangements in the Channel Islands). For employees in the UK, a salary sacrifice arrangement also exists, known as the SMART pensions, under which the employer contributions are increased by 5% of the employee contribution to provide a share of Deloitte LLP's saving of its National Insurance contribution. This is paid into the DPP in addition to the employer contributions. Employees are able to opt out of the SMART pensions' arrangement of the DPP.

As at 31 May 2021, the DPP scheme had 19,345 members (2020: 18,648) of which 13,477 members (2020: 13,314) related to employees of Deloitte LLP. At 31 May 2021 and 2020, Deloitte LLP had £nil (2020: £nil) contributions payable to the DPP.

Defined benefits scheme

During the year, Deloitte LLP provided retirement benefits on a defined benefit basis through the Deloitte UK Pension Scheme ('DUKPS') up until 31 March 2021. On 1 April 2021, the assets and liabilities of the Scheme were transferred to the DUKPS Section of the Deloitte Pensions Master Plan (the 'Scheme') through which employees' retirement benefits were managed for the rest of the year. There were no changes to the benefits provided to the members.

The Scheme was closed to future accrual for remaining active members with effect from 31 January 2013. Under the Scheme, members are entitled to retirement benefits of up to two-thirds of their final salary on attainment of retirement ages between 60 and 65, depending upon their pensionable service. No other post-retirement benefits are provided. The Scheme is a funded scheme, with the Scheme assets held separately under trust to meet the long-term pension liabilities for past members. The Trustee of the Scheme is required by law to act in the interest of all of the beneficiaries of the Scheme and is responsible for the investment policy with regard to the Scheme assets and for determining the contribution by Deloitte LLP to the Scheme.

On 26 October 2018, the High Court issued a ruling on the equalisation of guaranteed minimum pension benefits ('GMPs') to remove inequality between the sexes. As a result of the GMP equalisation ruling, a past service cost of £7 million was recognised in 2019, equating to 0.7% of the UK Scheme's liabilities. In November 2020, there was a further High Court ruling in relation to GMPs.

18. Retirement benefit schemes (continued)

Defined benefits scheme (continued)

The latest ruling states that trustees of defined benefit schemes that provided guaranteed minimum payments should revisit, and where necessary, top-up historic cash equivalent transfer values that were calculated on an unequalised basis if an affected member makes a successful claim. The impact of the ruling implies that pension scheme trustees are responsible for equalising the guaranteed minimum payments for members who transferred out of its defined benefit pension scheme. This has resulted in an increase in the Scheme's liabilities of £3 million, which was recognised in the income statement as a past service cost.

Scheme risks

The Scheme exposes Deloitte LLP to risks such as investment risk, interest rate risk and longevity risk.

Investment risk

The present value of the Scheme's liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on the Scheme's assets is below this rate, it will create a deficit and potentially require further contributions from Deloitte LLP.

Strategic management of the assets of the Scheme, including setting the asset allocation guidelines, is the responsibility of the Trustee. The Trustee takes into consideration the Schemes' liability, the covenant of Deloitte LLP and funding levels, when setting the investment strategy.

The Trustee of the Scheme continues to review the investment strategy on a regular basis.

Interest rate risk

The present value of the Scheme's liability is calculated using a discount rate determined by reference to corporate bond yields. A decrease in the bond interest rate will increase the Scheme's liability. This will, however, be partially offset by an increase in the return on the Scheme's debt investments.

Longevity risk

The present value of the Scheme's liability is calculated by reference to the best estimate of the mortality of the Scheme's participants both during and after their employment. An increase in the life expectancy of the Scheme's participants will increase the Scheme's liability.

Assumptions

The principal assumptions used for purposes of the Scheme's actuarial valuations are as follows:

Percentage	2021	2020
Discount rate	2.0	1.6
Inflation (RPI)	3.3	2.7
Inflation (CPI)	2.6	2.0
Expected increase in pension payments		
RPI subject to a maximum of 5.0%	3.2	2.6
RPI subject to a maximum of 4.0%	3.0	2.5
RPI subject to a maximum of 2.5%	2.2	2.0

The mortality of the Scheme members is assumed to be in line with SAPS (S2) light birth year tables with scaling factors for each member class as determined by the Actuary's Longevity Model with CMI 2020 improvements with a long-term rate of 1.25%.

18. Retirement benefit schemes (continued)

The assumed life expectations on retirement at age 65 for the Scheme are as follows:

	2021	2020
Retiring today:		
Males	22	22
Females	24	24
Retiring in 20 years:		
Males	24	24
Females	26	26

Sensitivity analysis for each significant actuarial assumption

The discount rate, inflation rate, salary increases and mortality assumptions, where applicable, all have a significant effect on the valuation of the Scheme.

The sensitivity analysis below shows the sensitivity of the Scheme to reasonably possible changes in these assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 0.25% higher (lower), the defined benefit obligation would decrease by £37 million (increase by £39 million).
- If the inflation rate increases (decreases) by 0.25%, the defined benefit obligation would increase by £24 million (decrease by £25 million).
- If the life expectancy increases (decreases) by 1 year, the defined benefit obligation would increase by £38 million (decrease by £38 million).

Income statement and statement of comprehensive income

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

£'million	2021	2020
Operating expenses – Current and past service cost	3	-
Finance costs - Minimum funding requirement	2	3
Finance costs - Net interest income	(1)	(1)
	4	2

Re-measurements recognised in the statement of comprehensive income are:

£'million	2021	2020
Return on Scheme assets (excluding amounts included in the net interest cost)	(19)	(82)
Actuarial (gains)/losses arising from changes in demographic assumptions	(2)	3
Actuarial losses arising from changes in financial assumptions	12	75
Actuarial gains arising from changes in experience assumptions	(16)	(4)
Re-measurements of the defined benefit pension scheme	(25)	(8)
Effect of minimum funding requirement (excluding amounts included in the net interest cost)	(33)	51
	(58)	43

Notes to the Financial Statements

For the year ended 31 May 2021

18. Retirement benefit schemes (continued)

Funded status and Scheme assets

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

£'million	2021	2020
Fair value of Scheme assets	1,169	1,130
Present value of Scheme obligations	(1,039)	(1,073)
Funded status	130	57
Additional liability in respect of minimum funding requirement	(136)	(167)
Net liability recognised in the balance sheet	(6)	(110)

The movements in Deloitte LLP's Scheme's assets were as follows:

£'million	2021	2020
Fair value of Scheme assets at 1 June	1,130	1,044
Interest income	18	25
Re-measurement gain: Return on Scheme assets (excluding amounts included in net interest cost)	19	82
Employer contributions	50	24
Benefits paid	(48)	(45)
Fair value of Scheme assets at 31 May	1,169	1,130

Funded status and Scheme assets

Contributions during the year ended 31 May 2021 include £50 million (2020: £24 million) towards eliminating the assessed deficit of the most recent full triennial actuarial valuation as at 30 September 2020. The actual return on Scheme assets was £37 million (2020: £107 million).

The allocation and market value of Scheme assets at the balance sheet date were as follows:

£'million		2021	2020
Investment funds			
Corporate bonds	Quoted	468	492
Absolute Return Bond Fund	Quoted	90	-
Leverage liability hedging portfolio	Quoted	330	407
UK property	Quoted	55	54
Money market	Quoted	10	68
Debt	Unquoted	46	34
Infrastructure	Unquoted	57	56
Pension Funding Partnership	Unquoted	70	14
Insured annuities	Unquoted	3	-
Other net assets	Unquoted	40	5
		1,169	1,130

18. Retirement benefit schemes (continued)

Pension Funding Partnership

In March 2010 Deloitte LLP entered into an asset backed funding agreement with the Scheme through the establishment of a Scottish Limited Partnership, Deloitte Scotland Limited Partnership ('SLP'). Under this agreement, the beneficial interest in certain trade receivables were transferred to the SLP for a 15 year period from the date of implementation.

The Scheme has a limited interest in the SLP, the value of which it takes in to account in its assessment of the Scheme's funding position as part of the triennial actuarial valuation process referred to above, which entitled the Scheme to a combined annual distribution from the profits of the SLP of between £3 million and £4 million for 15 years from the date of implementation. These payments were in addition to Deloitte LLP's funding arrangement.

On 30 June 2021, the value of the UK Scheme's initial investment of £70 million was returned to the Trustee as part of the overall package to fund the Scheme to the low risk target. The Pension Funding Partnership was subsequently collapsed and there will be no future payments to the Trustee, neither as annual coupon amounts nor a redemption payment to the UK Scheme in September 2025. See Note 23.

In these financial statements, pursuant to IFRS, the investment held by the Scheme in the SLP qualifies as a Scheme asset and it is therefore included in the fair value of Scheme assets.

Scheme obligations

The changes in defined benefit obligations were as follows:

£'million	2021	2020
Present value of defined benefit obligations at 1 June	1,073	1,020
Interest cost	17	24
Remeasurement (gains)/losses:		
Changes in demographic assumptions	(2)	3
Changes in financial assumptions	12	75
Experience adjustments on defined benefit obligations	(16)	(4)
Past service cost	3	-
Benefits paid	(48)	(45)
Present value of defined benefit obligation at 31 May	1,039	1,073

Maturity profile of the defined benefit obligation

The average duration of the Scheme at the end of the reporting period is 15 years (2020: 16 years). This number can be subdivided into the duration related to:

- deferred members: 18 years (2020: 18 years); and
- former members: 12 years (2020: 12 years).

Notes to the Financial Statements

For the year ended 31 May 2021

18. Retirement benefit schemes (continued)

Funding arrangement – the Scheme

Deloitte LLP had previously made a commitment to continue to fund the Scheme with contributions of £24 million per annum in order to facilitate the de-risking of the investment strategy. The approach was to continue until the Scheme reached a fully funded position on the low risk basis excluding the value of the Pension Funding Partnership. In May 2021, an agreement was reached between Deloitte LLP and the Trustee that Deloitte LLP would make the outstanding payments to meet the deficit and the Pension Funding Partnership would collapse.

Payments to the Scheme were made by a combination of special contributions; £26 million in the current year and a further £6 million on 1 June 2021. In addition, on 30 June 2021, £70 million was paid to the Trustee via the Pension Funding Partnership representing the value of the UK Scheme's initial investment. The total amount paid by Deloitte LLP represented the net deficit at 31 March 2021 of £37 million (allowing for the £70 million being returned to the Trustees as the value of their initial investment in the Pension Funding Partnership) less the current deficit contributions paid in April and May 2021 of £4 million. These payments have removed the need for Deloitte LLP to make future contributions until the next actuarial valuation on 30 September 2023. The collapse of the Pension Funding Partnership means that the Trustee will no longer receive Pension Funding Partnership coupon payments.

Expenses and administrative costs incurred in connection with the UK Scheme and any remuneration of the Directors of the Trustee are payable by Deloitte LLP. Levies paid to the Pension Protection Fund and other bodies to the extent not met by the UK Scheme's assets are payable by Deloitte LLP.

Expected contributions to the Scheme for the next annual reporting period

Deloitte LLP expects to make a contribution of £6 million to the Scheme during the next financial year.

Notes to the Financial Statements

For the year ended 31 May 2021

19. Financial instruments

Capital and financial risk management

Deloitte LLP manages its capital to safeguard its ability to continue as a going concern while maintaining an optimal capital structure to cover the cash requirements of the business. The funding strategy is periodically reviewed to ensure the optimal mix of the sources of capital.

Deloitte LLP capital comprises of and is financed principally by, members' capital, undistributed profits, tax reserves and borrowings. See Notes 15 and 17. Deloitte LLP holds financial instruments in order to finance its operations and manage foreign currency risks arising from its operations and sources of finance.

Deloitte LLP's capital structure and treasury policies are regularly reviewed by the Deloitte LLP Executive Group to ensure that they remain relevant to the business and its plans for growth. Deloitte LLP aims to minimise the level of short-term borrowing and this is achieved through the active management and targeting of customer receivables, amounts due from DTTL network firms and amounts to be billed to customers.

Financial instruments

The principal financial instruments held by Deloitte LLP, other than derivative financial instruments, are trade and other receivables, cash and bank balances, trade and other payables, borrowings and members' capital. The table below summarises such financial assets and liabilities by category. Such instruments give rise to liquidity, credit, interest rate and foreign currency risks. Information about these risks and how they are managed is set out on the following pages.

The carrying amounts of financial instruments are as follows:

	2021				
	Carrying value				
£'million	Assets at amortised cost	FVTPL	FVTOCI - designated	Liabilities at amortised cost	Fair value
Assets					
Derivative financial instruments	-	11	-	-	11
Trade and other receivables[1]	1,240	-	-	-	1,240
Amounts due from members	40	-	-	-	40
Cash and bank balances	318	-	-	-	318
Other non-current assets	23	-	9	-	32
Liabilities					
Trade and other payables[2]	-	-	-	365	365
Amounts due to members	-	-	-	13	13
Lease liability	-	-	-	619	619
Borrowings	-	-	-	312	321
Members' capital	-	-	-	116	116

19. Financial instruments (continued)

Financial instruments (continued)

	2020				
	Carrying value				
£'million	Assets at amortised cost	FVTPL	FVTOCI - designated	Liabilities at amortised cost	Fair value
Assets					
Derivative financial instruments	-	30	-	-	30
Trade and other receivables[1]	1,244	-	-	-	1,244
Amounts due from members	55	-	-	-	55
Cash and bank balances	396	-	-	-	396
Other Non-current assets	31	-	5	-	36
Liabilities					
Trade and other payables[2]	-	-	-	214	214
Amounts due to members	-	-	-	22	22
Lease liability	-	-	-	565	565
Borrowings	-	-	-	798	810
Members' capital	-	-	-	135	135

1 *Trade and other receivables in the balance sheet include prepayments, which are not financial assets and hence excluded from the tables above.*

2 *Trade and other payables in the balance sheet include progress billings, social security and other taxes, and certain accruals, which are not financial liabilities and hence excluded from the tables above.*

Fair value measurement

Deloitte LLP's cross-currency swaps, foreign exchange swap contracts and foreign currency forwards are measured at fair value at the end of each reporting period using the discounted cash flow valuation technique. The fair value of these instruments is estimated using future cash flows based on contractual interest rates (if applicable) and the foreign exchange rates discounted by the market interest rate and adjusted for counter party credit risk.

The investments in equity instruments are designated at FVTOCI because recognising short-term fluctuations in these investments in line with a FVTPL approach would not be consistent with Deloitte LLP's strategy of holding these investments for long-term purposes. The fair value of such investments as at 31 May 2021 is £9 million (2020: £6 million). The fair values of the investments in equity instruments have been determined mainly using the dividend discount model with the key assumption being the discount rate applied to the anticipated future returns. Due to restrictions that are characteristics of the equity instruments that would be transferred to market participants, Deloitte LLP has determined that the fair value is equal to the cost after adjustments to reflect the effect of the restriction. In respect of the equity investment made in Deloitte NSE Investments Limited ('DNSEI') disclosed in Note 20, a discounted cash flow valuation methodology was used to derive the fair value. In relation to one specific investment made in DNSEI, this was based on an expected return of capital from the underlying project at an estimated future point in time. For other equity instruments, the fair value has been derived using the implied value of Deloitte LLP's shares, from a market funding round completed during the current financial year.

There was no transfer of cumulative gain or loss within equity during the period related to such investments and there were no equity investments measured at FVTOCI that have been de-recognised during the period.

19. Financial instruments (continued)

Fair value measurement (continued)

Borrowings are measured at amortised cost in the balance sheet. The fair value of borrowings was determined using the discounted cash flow valuation technique. The fair value of these instruments is estimated using future cash flows based on contractual interest rates and the foreign exchange rates discounted by the market interest rate and adjusted for counter party credit risk.

The fair value of the cross-currency swaps, foreign exchange swap contracts, foreign currency forwards and borrowings are categorised within Level 2 of the fair value hierarchy as it is based on inputs other than quoted prices and maximises the use of observable data. The fair value measurement of equity investments is Level 3 within the fair value hierarchy as set out in IFRS 13, due to the unobservable inputs. There were no transfers between Level 1, 2 and 3 in the years ended 31 May 2021 and 2020.

Financial risk management objectives

The Deloitte NSE Executive Group determines the treasury policies of Deloitte LLP. These policies relate to specific risks that the Deloitte NSE Executive Group wishes to control including liquidity, credit risk, interest rate and foreign currency exposures. No speculative trading is permitted and hedging is undertaken for specific exposures to reduce risk.

Liquidity risk

Ultimate responsibility for liquidity risk management lies with the Deloitte NSE Chief Executive, in combination with the Deloitte NSE Executive Group, which has developed an appropriate liquidity risk management framework for management of Deloitte LLP's funding and liquidity management requirements. Deloitte LLP manages liquidity risk by maintaining adequate banking facilities, reserve borrowing facilities and by continually monitoring forecast and actual cash flows. Liquidity risk arises from Deloitte LLP's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables, lease liabilities, borrowings and members' capital.

Deloitte LLP'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. See Note 15 for details of Deloitte LLP's borrowings, including available facilities.

Contractual maturity

The following tables detail Deloitte LLP's remaining contractual maturity for its financial liabilities with regard to the repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which Deloitte LLP may be required to pay. The tables include both interest and principal cash flows. To the extent that interest rate flows are floating, the undiscounted amount is derived from interest rate curves at the end of the reporting period. For the cross-currency swaps the table has been drawn up on the gross undiscounted outflows on the derivatives as they require gross settlement.

Members' capital is included in the earliest time band in which Deloitte LLP can be required to pay the amount. Based on expectations at the end of the reporting period, Deloitte LLP considers that it is more likely than not that a substantial number of members will not resign triggering repayment of the amounts due within a year.

19. Financial instruments (continued)

Contractual maturity (continued)

2021 £'million	Gross Contractual cash flows	Within one year	2-5 years	More than 5 years
Non-derivative financial liabilities				
Accruals	167	167	-	-
Trade payables	10	10	-	-
Amounts due to DTTL network firms	38	38	-	-
Amounts due to Group undertakings	118	118	-	-
Other payables	32	32	-	-
Factoring arrangements	212	212	-	-
Private Placement Loan Notes	109	4	105	
Lease liabilities	695	80	220	395
Members' capital	116	4	112	-
Amounts due to members	13	13	-	-
Capital funding commitments	1	-	-	1
	1,511	678	437	396
Derivative financial instruments				
Cross-currency swap[1]	87	3	84	-

[1] *Includes undiscounted future cash flows of the GBP equivalent cash flows.*

2020 £'million	Gross Contractual cash flows	Within one year	2-5 years	More than 5 years
Non-derivative financial liabilities				
Accruals	107	107	-	-
Trade payables	26	26	-	-
Amounts due to other member firms of the DTTL network	41	41	-	-
Amounts due to Group undertakings	28	28	-	-
Other payables	12	12	-	-
Factoring arrangements	191	191	-	-
Bank loans	480	480	-	-
Private Placement Loan Notes	145	20	125	-
Lease liabilities	636	61	202	373
Members' capital	135	8	127	-
Amounts due to members	22	22	-	-
Capital funding commitments	1	-	-	1
	1,824	996	454	374
Derivative financial instruments				
Cross-currency swaps[1]	102	15	87	-

[1]*Includes undiscounted future cash flows of the GBP equivalent cash flows.*

19. Financial instruments (continued)

Credit risk

Cash deposits and other financial instruments with banks and financial institutions give rise to counterparty risk. As a means of mitigating the risk of financial loss from defaults, Deloitte LLP has adopted a policy of only dealing with creditworthy counterparties and limiting the aggregate amount and duration of exposure to any one counterparty. Deloitte LLP's other significant credit risk relates to customer receivables. Refer to Note 13.

Customer receivables are spread across diverse industries and Deloitte LLP does not have any significant credit risk exposure to any single industry, counterparty or any group of counterparties having similar characteristics. Deloitte LLP defines counterparties as having similar characteristics if they are related entities. Credit risk for new and existing customers are assessed as part of our customer acceptance processes. In addition, credit risk is managed by maintaining close contact with each customer and by routine billing and cash collection as work is completed.

Interest rate risk

Interest rate risk for Deloitte LLP arises from variable interest rate borrowings and any material cash balances. Interest rates will fluctuate over time and Deloitte LLP accepts this risk and does not consider it to be material to Deloitte LLP. A reasonable change in the interest rate would have an immaterial impact on pre-tax profits and equity of Deloitte LLP.

Foreign currency risk

Deloitte LLP's income and expenditure are primarily in Pounds Sterling. However, some income and costs are denominated in foreign currencies, as are the majority of transactions with DTTL member firms. The principal foreign currency exposures for Deloitte LLP are to the Euro, US dollar and Swiss franc. Deloitte LLP seeks to minimise its exposure to fluctuations in exchange rates by hedging against foreign currency exposures using cross-currency swaps and foreign currency forwards as hedging instruments to economically manage foreign exchange risk.

At 31 May 2021, Deloitte LLP has entered into €150 million of euro and $180 million of US dollar foreign currency exchange swap contracts and foreign currency forwards to economically manage their exposure to foreign exchange risk arising from receivables and payables. The foreign exchange swaps and foreign currency forwards are subject to the same risk management policies as all other derivative contracts. In the current year, net foreign exchange gains of £18 million were recognised in the income statement (2020: gain of £4 million) in respect of the of the foreign currency exchange swap contracts and foreign currency forwards.

Deloitte LLP's Series B Notes are denominated in US dollars. Deloitte LLP has managed the associated foreign currency risk through a cross-currency swap, the terms of which are identical to the loan notes received. Deloitte LLP hedges 100% of the changes in Pound Sterling functional currency equivalent cash flows relating to changes in foreign currency forward rates related to the Notes and to the interest payments. Deloitte LLP uses the hypothetical derivative method to assess effectiveness. Ineffectiveness may arise due to:

- changes in the credit risk of the cross-currency swaps which are not matched by the hypothetical derivative; and
- changes in the embedded financing element included in the cross-currency swaps.

The ineffectiveness during 2021 and 2020 was less than £1 million in relation to the cross currency swaps.

Notes to the Financial Statements

For the year ended 31 May 2021

19. Financial instruments (continued)

The following table is a summary of Deloitte LLP's net foreign currency-denominated monetary (liabilities)/assets:

£'million	2021	2020[1]
Euro	90	95
US dollar	66	191
Swiss franc	(34)	(17)
Others	21	13
	143	282

[1] The prior year comparatives have been amended to correct for the omission of 'Amounts to be billed to customers' amounts in the prior year analysis. This has no impact on the amounts presented in the income statement or on the balance sheet.

Foreign currency sensitivity analysis

The following tables detail Deloitte LLP's sensitivity to a 10 percent decrease in the sterling amount against the relevant foreign currencies. 10 percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. 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 or equity (as relevant), where the functional currency weakens 10% against the relevant currency.

£'million	2021	2020[1]
Impact on profit		
Euro currency impact	9	2
US dollar currency impact	6	16
Swiss franc currency impact	(3)	(2)
Other foreign currency impact	2	1
	14	17
Impact on equity		
US dollar currency impact[2]	-	-

[1] The prior year comparatives have been amended to correct for the omission of 'Amounts to be billed to customers' amounts in the prior year analysis. This has no impact on the amounts presented in the income statement or on the balance sheet.
[2] Impact for the year is less than £1 million.

As noted above, Deloitte LLP utilises cross-currency swaps and forward foreign exchange contracts to manage its exposure to fluctuations in exchange rates. At 31 May 2021, Deloitte LLP had cross-currency swaps in place relating to the Series B Notes, whereby Deloitte LLP receives a fixed interest rate of 4.40% on a notional amount of US$126 million and pays 4.23% on a notional sterling balance of £79 million (2020: £90 million). The table below summarises the individual cross currency swap rates, notional principal value and fair value relating to these instruments as well as information related to the hedged items. The cross-currency swap contract assets are included in derivative financial instruments on the balance sheet.

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For the year ended 31 May 2021

19. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

Receive fixed USD, pay fixed GBP swap contracts	Notional exchange rate £/US$	Maturity date	Average contract fixed interest rate		Notional principal value		Fair value		Change in fair value used for calculating hedge	
			2021 %	2020 %	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
US$96	1/1.6	10 October 2023	4.2	4.2	60	60	8	21	(13)	6
US$30	1/1.6	10 October 2023	4.2	4.2	19	19	3	6	(3)	1
US$18	1/1.6	10 October 2020	-	3.7	-	11	-	3	(3)	-
					79	90	11	30	(19)	7

Hedged item	Change in fair value used for calculating hedge ineffectiveness		Balance accumulated in equity for continuing hedges		Balance accumulated in equity arising from hedge relationship for which hedge accounting no longer applied	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Notes	(19)	7	(1)	(2)	-	-

At 31 May 2021, the aggregate amount of losses under the cross-currency swaps recognised in other comprehensive income and accumulated in equity related to the exposure of variability in functional currency equivalent cash flows associated with the foreign currency notes due to changes in forward exchange rates is a credit of £1 million (2020: credit £2 million). The interest and principal payments will continue through to the year ending 31 May 2024, over which time the amounts deferred in equity will be reclassified to profit and loss.

The movement in the amount accumulated in equity for Deloitte LLP in relation to the cash flow hedge is as shown below:

£'million	2021	2020
Balance at the beginning of the year	(2)	2
Loss/(gain) arising on changes in fair value of cross-currency swap	14	(9)
Cumulative (loss)/gain reclassified to profit and loss	(13)	5
Balance at the end of the year	(1)	(2)

20. Acquisitions and disposal

Acquisition of Kemp Little LLP

On 29 January 2021, Deloitte LLP completed the acquisition of the business and assets of Kemp Little LLP, a technology and digital media law firm based in London. Kemp Little LLP was acquired to complement Deloitte LLP's existing legal service offering. In total 114 employees from Kemp Little joined Deloitte LLP, with more than 80 lawyers, including 29 partners, doubling the lawyer headcount of Deloitte LLP.

£'million	Total
Other net assets acquired	1
Purchase consideration	15
Goodwill	14

Kemp Little LLP contributed £6 million of revenue and £1 million to Deloitte LLP's profit for the period between the date of acquisition and the reporting date. If the acquisition has occurred on 1 June 2020, revenue and profit for Deloitte LLP, for the year ended 31 May 2021, would have been £2,725 million and £757 million respectively.

Sale of restructuring practice

In February 2021, Deloitte LLP entered into a conditional agreement to sell its Restructuring business. The conditions for sale were met during the financial year and the sale completed on 28 May 2021, resulting in the transfer of 16 equity partners and 239 staff employed by the practice at the date of completion together with certain customer contracts and related assets.

The consideration due to the Group as a result of the sale was £220 million. After adjusting for payments made on behalf of Deloitte LLP by the purchaser of £13 million, cash proceeds received from the sale were £207 million. After deduction of the net assets disposed totalling £28 million (primarily accrued and deferred income) and transaction costs of £8 million from the sales consideration of £220 million, the net profit on the sale of the practice was £184 million.

In accordance with the Deloitte LLP Partnership Agreement, the profit on the sale of the Restructuring practice represented a capital profit, which must be distributed to members. The distribution of capital profits to members amounting to £136 million is determined by Deloitte LLP's management accounts which have accounting policies different to these financial statements.

Notes to the Financial Statements

For the year ended 31 May 2021

21. Related party transactions

Trading transactions

During the years ended 31 May 2021 and 2020, Deloitte LLP entered into the following transactions with related parties. The table also includes outstanding balances as at the end of each reporting year.

£'million	Provision of services to and income from related parties 2021	2020	Purchase of services from related parties 2021	2020	Amounts due from related parties 2021	2020	Amounts due to related parties 2021	2020
Subsidiaries of Deloitte LLP Group	244	170	(34)	(38)	273	193	(330)	(144)
Associates of Deloitte LLP Group	5	5	(30)	(33)	10	1	(3)	(3)
Subsidiaries of Deloitte NSE Group	63	55	(70)	(82)	9	14	(10)	(9)
Associates of Deloitte NSE Group	18	9	(28)	(16)	15	3	(5)	(1)
	330	239	(162)	(169)	307	211	(348)	(157)

The provision of services to and from related parties were at an arm's length basis. The amounts outstanding at year-end are unsecured and are available to be settled in cash. These balances are non-interest bearing. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts due from related parties.

In the prior year, Deloitte LLP subscribed to different classes of non-voting redeemable shares in Deloitte NSE Investments Limited, a Deloitte NSE group entity set up to hold Deloitte NSE group investments in strategic projects. The total amount subscribed was £13.7 million. For the purposes of these financial statements, an amount of £1 million (2020: £11 million) was accounted for as a deemed distribution to Deloitte NSE. The remaining amount of £3 million (2020: £3 million) is the fair value of this equity investment.

Parent undertaking and controlling party

The ultimate holding and controlling party of Deloitte LLP is Deloitte NSE LLP a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The financial statements of Deloitte NSE are publicly available and can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Notes to the Financial Statements

For the year ended 31 May 2021

22. Subsidiary undertakings and associates

The principal undertakings of Deloitte LLP are listed below:

Companies[1]	Holding	Proportion of voting rights and shares held	Country of incorporation/ registration	Nature of business
Deloitte MCS Limited	Ordinary	100%	England and Wales	Consulting services
Deloitte Total Reward and Benefits Limited	Ordinary	100%	England and Wales	Investment advisory services
Deloitte & Touche Management AG	Ordinary	100%	Switzerland	Management company
Deloitte AG	Ordinary	100%	Switzerland	Professional services
Deloitte Consulting AG	Ordinary	100%	Switzerland	Consulting services

1 *All interests held by Deloitte LLP are indirect*

Other entities

For a full listing of subsidiaries, associated undertakings and significant holdings in undertakings other than subsidiary undertakings refer to the attached Appendix.

23. Subsequent events

In February 2021 the Deloitte NSE Board, on the recommendation of the UK Senior Partner and Chief Executive and the Executive Group, approved a significant increase in Members' capital contributions designed to support Deloitte LLP's strategic growth objectives. The increase in Members' capital contributions was effective 1 June; at 31 August 2021 Members' capital contributions totalled £255 million.

As detailed in Note 16, Deloitte LLP provides for retirement annuities payable to members with a minimum of ten years' service in their capacity as members. Such annuities are unfunded and are, generally, conditional upon the future generation of profits. The retirement annuities provision presented herein reflects the present value of obligations arising from services to date. Following the requisite NSE governance and a vote of the members of Deloitte LLP, the retirement annuity scheme was closed to new entrants from 1 June 2021.

In May 2021, Deloitte LLP and the Scheme Trustees reached an agreement to fully fund the UK pension scheme on a low risk basis and to collapse the Pension Funding Partnership structure. To this end, an additional employer contribution of £26 million was paid to the UK Scheme on 28 May 2021 and a further contribution of £6 million was paid on 1 June 2021. The total amount paid by Deloitte LLP represented the net deficit at 31 March 2021 of £37 million (allowing for the £70 million being returned to the Trustees as the value of their initial investment in the Pension Funding Partnership) less current deficit contributions of £4 million paid in April and May 2021 . Furthermore, on 1 June 2021, Deloitte LLP agreed to settle the amount repayable under the factoring agreement to the Pension Funding Partnership for a consideration of £75 million at which point the factoring arrangements ceased. At 31 May 2021, the amount repayable under the factoring agreement by Deloitte LLP was £212 million. In FY22, the resulting gain from the settlement will be offset by the write-down of the corresponding financial asset in amounts due from group undertakings.

Subsequent to the year-end, Deloitte LLP has extended the maturity of two bank facilities totalling £110 million by a further twelve months from May 2022 to May 2023. Following the extension, Deloitte LLP has £849 million of bank facilities of which £129 million matures in September 2021, £40 million in May 2022, £110 million in May 2023 and £570 million in September 2023. These facilities are considered adequate to meet the firm's funding requirements.

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At 31 May 2021

A full list of all related undertakings, including subsidiaries, associated undertakings and significant holdings in undertakings other than subsidiary undertakings, is detailed below:

Name	Holding	Holding	Registration	Registered Office
ACNE AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE Advertising AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE Film AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE GmbH	Indirect	100%	Germany	Große Hamburger Straße 17, 10115 Berlin, Germany
ACNE Photography AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE Production Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Brown Street Nominees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
ClearViewIP Holdings Limited	Direct[5]	100%	England & Wales	6 Snow Hill, London, EC1A 2AY
ClearViewIP Limited	Indirect[5]	100%	England & Wales	6 Snow Hill, London, EC1A 2AY
Contractor Pay Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
D&T Consulting Holdings Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
D&T Pension Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
D&T Pension Trustees No.2 Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Advisory Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Holdings Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Management Limited	Direct	100%	Guernsey	Regency Court, Glategny Esplanade, St Peter Port, GY1 3HW, Guernsey
Deloitte & Touche Management AG	Indirect	100%	Switzerland	General Guisan-Quai 38, 8002 Zürich, Switzerland
Deloitte & Touche Management Limited	Direct	100%	Jersey	PO Box 403 Gaspé House 66-72 Esplanade St Helier Jersey JE4 8WA
Deloitte & Touche Pension Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Services (IOM) Limited	Direct	100%	Isle Of Man	The Old Courthouse, PO Box 250, Athol Street, Douglas, IM99 1XJ, Isle of Man
Deloitte (Liechtenstein) AG	Indirect	49%[2]	Liechtenstein	Landstasse 123, 9495 Triesen, Liechtenstein
Deloitte AG	Indirect	100%	Switzerland	General Guisan-Quai 38, 8002 Zürich, Switzerland
Deloitte CIS Limited	Direct	60%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Consulting AG	Indirect	100%	Switzerland	General Guisan-Quai 38, 8002 Zürich, Switzerland
Deloitte Holdings Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte India Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte International Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Limited (Gibraltar)	Direct	100%	Gibraltar	Merchant House,22/24 John Mackintosh Square, Gibraltar
Deloitte Management Services Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte MCS Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte MCS AB	Indirect	100%	Sweden	Tulegatan 15, 113 53, Stockholm, Sweden
Deloitte & Touche Middle East Limited	Indirect	0%[3]	Kingdom of Saudi Arabia	PO 213, Riyadh, 11411, Kingdom of Saudi Arabia
Deloitte Pensions Limited	Direct	100%	England & Wales	Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB
Deloitte Pensions Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte PFP1 LLP	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte PFP2 LLP	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte PMP Starter A Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Professional Services Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte SA Services Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Scotland Limited Partnership	Indirect	100%[4]	England & Wales	Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB
Deloitte Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte SLP Structure 1 Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte SLP Structure 2 Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Total Reward & Benefits Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte UK Privacy (EU Rep) Limited	Direct	100%	Ireland	29 Earlsfort Terrace, Dublin 2, DO2AY28, Ireland
DVGES Limited	Direct	63%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Island Trustees (Midlands) Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Island Trustees (Northern) Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Island Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR

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At 31 May 2021

Name	Holding	Holding	Registration	Registered Office
Island Trustees South West Limited	Indirect	100%	England & Wales	3 Rivergate, Temple Quay, Bristol, BS1 6GD
J.G.H.T. Nominees	Indirect	60%[1]	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Market Gravity Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Market Gravity Proposition Design Canada Ltd	Indirect	100%	Canada	C/O Wills & Murphy, 1800-1631 Dickson Avenue, Kelowna, BC V1Y 0B5, Canada
Merchant Corporate Services Limited	Indirect[5]	100%	Gibraltar	Merchant House,22/24 John Mackintosh Square, Gibraltar
Monitor Company Europe	Indirect	92%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Monitor Company UK Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Monitor Deloitte Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Norstrand Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Nominees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Trustee Company	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Trustee Company Birmingham	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Trustee Company Bristol Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spicers Corporate Finance Limited	Indirect	97%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Stonecutter Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Stonecutter Nominees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Stonecutter Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR

1 *Shares held include nominee holdings which are held beneficially for Deloitte LLP.*

2 *Even though Deloitte LLP's proportion of shares are 50% or less, Deloitte LLP does have control over this entity.*

3 *Through certain contractual arrangements, Deloitte LLP exerts significant influence in respect of this entity.*

4 *Following the year end, the partnership was dissolved.*

5 *These companies are in liquidation.*

Deloitte.