Deloitte.

Deloitte LLP

Report to Members and Consolidated Financial Statements
for the year ended 31 May 2023

Registered No. OC303675

Contents

For the year ended 31 May 2023

Report to Members

For the year ended 31 May 2023

The UK Oversight Board presents its report to the members together with the audited consolidated financial statements of Deloitte LLP ('the LLP') and its subsidiary undertakings (together 'the Group') for the year ended 31 May 2023.

Principal activities

The principal activities of the Group are the provision of professional services. There were no significant changes in these activities during the year.

Legal structure

The LLP is incorporated in the UK as a limited liability partnership under the Limited Liability Partnerships Act 2000. The LLP (together with its subsidiaries) is the UK affiliate of Deloitte NSE LLP ('Deloitte NSE'). The LLP is a subsidiary of Deloitte NSE. Deloitte NSE is a member firm of Deloitte Touche Tohmatsu Limited ('DTTL'), a UK private company limited by guarantee. DTTL and each of its member firms are legally separate and independent entities. Deloitte NSE, with affiliates in countries across Europe and the Middle East, is a holding entity and does not carry out any trade.

Governance

The governance of the Group comprises:

- The UK Senior Partner and Chief Executive and the Executive Group who are responsible for managing all aspects of the Group's business, including the development and delivery of services, the development of Group's policies and strategic direction, the management of the Group's financial performance and the development and implementation of the Group's talent goals.
- The UK Oversight Board ('UKOB') which oversees how the UK practice meets its UK regulatory and legal responsibilities, including certain requirements of the Audit Firm Governance Code as they relate to the UK business as a whole. In particular, the UKOB's focus is on securing the reputation of the UK business, ensuring material risks are managed and controlled, overseeing how the UK business meets its public interest responsibilities, and reducing the risk of firm failure. It is also responsible for overseeing financial reporting matters for the UK business.
- The Audit Governance Board ('AGB') which is responsible for providing independent oversight of the Group's UK audit business, with a focus on the policies and procedures for improving audit quality. This includes ensuring people in the audit business are focused on the delivery of high-quality audits in the public interest; and oversight of the policies and processes for ensuring audit member remuneration and promotions reflect their contribution to audit quality. The AGB and UKOB work alongside each other to ensure the Group's UK practice meets the requirements of the Audit Firm Governance Code and other regulatory and legal requirements. The AGB comprises a majority of Independent Audit Non-Executives including the Chair.
- The UK and Swiss Partnership Council ('Partnership Council') which is responsible for ensuring fairness and equity between members and fairness in the implementation of 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 Swiss Chief Executive.

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

The Deloitte NSE Board is the primary governance body for the whole of Deloitte NSE, responsible for ensuring high quality governance and stewardship of Deloitte NSE as well as the promotion and protection of member interest generally. The Deloitte NSE Board works with the Deloitte NSE Executive to set and approve the long-term strategic objectives of Deloitte NSE and the markets in which it operates. It oversees the risk appetite in each area of the business and is responsible for the oversight of the Executive function.

The Chief Executive and Executive Group of each Geography are responsible for day-to-day management of their Geography, consistent execution of Deloitte NSE's strategy and development of local policies and strategies.

Report to Members

For the year ended 31 May 2023

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of the LLP during the year were Richard Houston, Stephen Griggs and Donna Ward. The designated members as of 1 June 2023 were Richard Houston, Philip Mills and Heather Bygrave.

Members' capital

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities.

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 their units each financial year and is repayable following the member's retirement. Members' capital was £284 million as at 31 May 2023 (2022: £266 million).

Members' profit shares and drawings

The allocation of profit is at the discretion of the Deloitte NSE Board in accordance with the formal member remuneration procedures in place. Each member shares in profit based on the proportion of units allocated to them. Members' share of profits is based upon a comprehensive evaluation of their individual and team contribution to, among others, quality, risk, performance, and leadership. Member performance is evaluated in all competencies, beginning with the NSE Board's approval of the profit-sharing strategy proposed by the NSE Senior Partner and Chief Executive and concluding with the NSE Board's review of the recommended unit allocation and equity group for each individual member. The Audit Non-Executives review and advise on the compensation, evaluation and promotion of members of the Audit business on an anonymised basis to test the robustness of the member remuneration and promotion 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 Deloitte NSE's policies.

Monthly drawings represent an advance of a portion of profit during the financial year, in consideration of 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 UK Senior Partner and Chief Executive sets the level of members' monthly drawings, with the approval of the Deloitte NSE Board. 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.

Going concern

The Group has a reasonable expectation that the LLP and the Group have sufficient resources to continue in operation for the going concern period, being a period of at least 12 months from the date of when the financial statements are authorised for issue. Accordingly, the going concern basis of accounting continues to be adopted in the preparation of these financial statements. See Note 1 in the financial statements for further details.

The Group's objectives, policies and processes for managing its capital and financial risk management objectives and its exposures to credit and liquidity risk are set out in Note 20.

Energy and carbon 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. The Energy and Carbon report for Deloitte NSE includes the relevant Streamlined Energy and Carbon Reporting (SECR) disclosures and Climate-related Financial Disclosures (CFD).

Report to Members

For the year ended 31 May 2023

Statement on disclosure of information to the auditor

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

Auditor

BDO LLP have expressed their willingness to continue in office as the auditor and appropriate arrangements have been put in place for them to be deemed reappointed as the auditor.

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Report to Members and the Consolidated Financial Statements in accordance with applicable laws and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The Consolidated Financial Statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB'). The Consolidated Financial Statements are also required by law to be prepared in accordance with the Companies Act 2006, as applicable to limited liability partnerships.

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

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Limited Liability Partnership, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Limited Liability Partnership's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Limited Liability Partnership's website is the responsibility of the members. The members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

These responsibilities are fulfilled by the UKOB on behalf of the members. The UKOB confirms that it has complied with the above requirements in preparing these financial statements.

Signed on 27 September 2023 on behalf of the UKOB by:

DocuSigned by:

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Richard Houston

UK Senior Partner and Chief Executive

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2023

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and of the Limited Liability Partnership’s affairs as at 31 May 2023 and of the Group’s results for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards and with International Financial Reporting Standards as issued by the International Accounting Standards Board (‘IASB’) and IFRS Interpretation Committee (‘IFRIC’) Interpretations;
- the Limited Liability Partnership’s financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions 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 and with International Financial Reporting Standards as issued by the IASB and IFRIC Interpretations Committee; and
- the financial statements 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’) and its subsidiaries ('the Group') for the year ended 31 May 2023, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Balance Sheets, Statements of Changes in Equity, Cash Flow Statements, 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 United Kingdom Accounting Standards, including International Financial Reporting Standards as issued by the IASB and IFRIC Interpretations, and as regards the Limited Liability Partnership financial statements.

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 Group and 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.

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2023

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 Group or 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.

Other information

The Members are responsible for the other information. The other information comprises the information included in the Report to Members and Consolidated 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 by the Limited Liability Partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the Limited Liability Partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Statement of members' responsibilities in respect of the financial statements set out on page 3, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2023

Auditor’s responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

- Documenting and considering our understanding of the Group and Limited Liability Partnership and the industry in which it operates;
- Discussion with management and those charged with governance, internal audit and those responsible for legal and compliance procedures; and
- Obtaining an understanding of the Group and Limited Liability Partnership’s policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be:

- Those that relate to the reporting framework (UK adopted international accounting standards and with the International Financial Reporting Standards as issued by the IASB and IFRIC interpretations);
- Laws and regulations relating to employee matters such as equality, bribery, and corruption practices;
- Relevant tax compliance regulations in the jurisdictions in which the Group operates; and
- Compliance with the relevant regulations set out by the Financial Reporting Council.

The Group and Limited Liability Partnership is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be:

- The health and safety legislation;
- Ethical Standards for providers of public services;
- ICAEW Code of Conduct;
- SRA Code of conduct for lawyers;
- Companies Act 2006; and
- Value Added Tax compliance regulations in the jurisdictions.

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

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

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Audit of a sample of entries to the legal expenditure to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the Group and Limited Liability Partnership’s financial statements to material misstatement, including fraud. We also considered potential fraud drivers including financially linked performance targets or other pressures, opportunity, and personal or corporate motivations. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group and Limited Liability Partnership’s policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and key areas of estimation uncertainty or judgement.

Our procedures in respect of the above included:

- Selection of journal entries in the year that fell within defined criteria, including manual journals, and testing these through to management explanations and supporting documentation.
- Assessing significant estimates made by management for bias by 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.

Auditor’s Responsibilities for the audit of the financial statements (continued)

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

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

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 Limited Liability 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

27 September 2023

BDO LLP is a limited liability partnership registered in England and Wales [with registered number OC305127]

Consolidated Income Statement

For the year ended 31 May 2023

£'million	Notes	2023	2022
Revenue	3	5,609	4,940
Operating expenses			
Employee costs	4	(2,789)	(2,287)
Depreciation and amortisation	8, 9, 10	(119)	(126)
Other operating expenses	5	(1,670)	(1,687)
Profit on disposal of pension advisory practice	21	34	-
Operating profit		1,065	840
Net finance expenses	6	(56)	(46)
Share of results of associates and joint ventures	11	-	3
Profit before tax and members' capital profit share		1,009	797
Tax expense in corporate subsidiaries	7	(31)	(28)
Profit before members' capital profit share		978	769
Members' capital profit share charged as an expense	21	(38)	-
Profit for the year		940	769
Profit for the year attributable to:			
Members as owners of the parent entity		940	769

Profit for the year of the Group is impacted by annuities for former and current members (2023: a credit of £226 million; 2022: a credit of £16 million) (Note 17).

The notes on pages 16 to 82 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2023

£'million	Notes	2023	2022
Profit for the year		940	769
Items that will not be re-classified subsequently to profit or loss			
Re-measurements of defined benefit pension schemes	19	(22)	81
Changes in minimum funding liabilities – UK and Swiss pension schemes	19	30	(21)
Net loss on equity securities designated at fair value through other comprehensive income	13	(1)	-
Items that may be re-classified subsequently to profit or loss:			
Cash flow hedge reserve	20	-	(1)
Exchange differences on translation of foreign operations		6	9
Other comprehensive income for the year		13	68
Total comprehensive income for the year		953	837
Total comprehensive income for the year attributable to:			
Members as owners of the parent entity		953	837

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

The notes on pages 16 to 82 form an integral part of these financial statements.

Balance Sheets

At 31 May 2023

£'million	Notes	Group 2023	Group 2022	LLP 2023	LLP 2022
Assets					
Non-current assets					
Intangible assets	8	101	97	26	27
Property, plant and equipment	9	199	207	158	167
Right-of-use assets	10	576	620	522	565
Derivative financial instruments	20	-	21	-	21
Deferred tax assets	7	4	2	-	-
Investments in subsidiaries and associates	12	-	-	8	8
Interests in joint ventures and associates	11	17	20	-	-
Other non-current assets	13	76	81	55	62
		973	1,048	769	850
Current assets					
Derivative financial instruments	20	23	-	23	-
Trade and other receivables	14	1,856	1,654	1,361	1,329
Amounts due from members	18	58	82	58	82
Cash and bank balances	16	573	608	445	432
		2,510	2,344	1,887	1,843
Total assets		3,483	3,392	2,656	2,693
Liabilities					
Current liabilities					
Trade and other payables	15	1,340	1,298	869	855
Amounts due to members	18	4	-	4	-
Lease liabilities		64	56	53	46
Borrowings	16	113	2	113	-
Provision for members' annuities	17	50	45	50	45
Provisions	17	68	23	65	18
Members' capital	18	10	10	10	10
		1,649	1,434	1,164	974
Non-current liabilities					
Borrowings	16	-	110	-	110
Retirement benefit obligation	19	4	23	-	-
Lease liabilities		604	634	563	587
Provision for members' annuities	17	1,122	1,399	1,122	1,399
Provisions	17	60	67	58	65
Members' capital	18	274	256	274	256
		2,064	2,489	2,017	2,417
Total liabilities		3,713	3,923	3,181	3,391
Net liabilities attributable to members		(230)	(531)	(525)	(698)
Equity					
Members' other reserves	18	(230)	(531)	(525)	(698)
		(230)	(531)	(525)	(698)

The notes on pages 16 to 82 form an integral part of these financial statements.

Balance Sheets

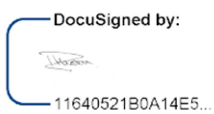
At 31 May 2023

£'million	Notes	Group 2023	Group 2022	LLP 2023	LLP 2022
Supplemental information					
Members' interests					
Members' capital	18	284	266	284	266
Members' other reserves	18	(230)	(531)	(525)	(698)
Amounts due to members	18	4	-	4	-
Amounts due from members	18	(58)	(82)	(58)	(82)
Total members' interests		-	(347)	(295)	(514)

As permitted by section 408 of the Companies Act 2006, as applied to Limited Liability Partnerships, the LLP has opted not to present a separate income statement and related notes. The LLP reported a profit for the year ended 31 May 2023 of £827 million (2022: £817 million).

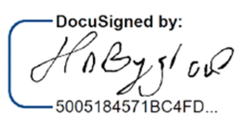
The financial statements on pages 9 to 82 were authorised for issue and signed on 27 September 2023 on behalf of the Members of Deloitte LLP, registered number OC303675, by:

Signed by the below designated members of the LLP,



Richard Houston

Senior Partner and Chief Executive



Heather Bygrave

Chief Financial Officer

The notes on pages 16 to 82 form an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 31 May 2023

£'million	Notes	Group Members' other reserves (Note 18)	LLP Members' other reserves (Note 18)
Balance at 1 June 2021		(775)	(919)
Profit for the year		769	817
Other comprehensive income / (loss) for the year		68	(3)
Total comprehensive income		837	814
Allocated profit in the year	18	(592)	(592)
Deemed distribution to parent	22	(1)	(1)
Transactions with owners		(593)	(593)
Balance at 31 May 2022		(531)	(698)
Profit for the year		940	827
Other comprehensive income/(loss) for the year		13	(2)
Total comprehensive income		953	825
Allocated profit in the year	18	(650)	(650)
Deemed distribution to parent	22	(2)	(2)
Transactions with owners		(652)	(652)
Balance at 31 May 2023		(230)	(525)

The notes on pages 16 to 82 form an integral part of these financial statements.

Cash Flow Statements

For the year ended 31 May 2023

£'million	Note	Group 2023	Group 2022	LLP 2023	LLP 2022
Profit for the year		940	769	827	817
Adjustments for:					
Tax expense in corporate subsidiaries	7	31	28	-	-
Depreciation and amortisation	9,10	119	126	100	110
Profit on disposal of business (excluding transaction costs)	21	(37)	-	(47)	-
Members' capital profit share charged as an expense	21	38	-	38	-
Net increase/(release) of impairment on financial assets		4	4	2	3
Impairment of non-current assets	8,9,10	-	17	-	17
Income from investment in subsidiaries[1]		-	-	(20)	(159)
Loss on disposal of property, plant and equipment		-	2	-	-
Net finance expense	6	56	46	57	46
Share of profit of joint venture and associates		-	(3)	-	-
Provisions movements for the year and actuarial movements	17	(210)	(42)	(208)	(42)
Current service cost for defined benefit pension schemes	19	26	30	-	-
Other non-cash movements		10	14	(2)	19
Operating cash inflows before movements in working capital		977	991	747	811
Increase in trade and other receivables[2]		(243)	(165)	(41)	(25)
Cash outflow on payments of provisions	17	(15)	(25)	(15)	(27)
Cash outflow on payments of provisions for annuities	17	(46)	(41)	(46)	(41)
Cash outflow on payments of retirement benefit obligation	19	(39)	(109)	-	(8)
Increase in trade and other payables[2]		61	141	39	50
Cash generated by operations		695	792	684	760
Tax paid by corporate subsidiaries		(31)	(30)	-	-
Net cash inflow from operating activities		664	762	684	760
Investing activities					
Acquisition of business (net of cash acquired)	8	(11)	(2)	-	-
Investment income received		-	-	-	4
Purchase of investments		(1)	(3)	(1)	(1)
Interest income received		13	-	12	-
Purchase of property, plant and equipment	9	(34)	(25)	(30)	(23)
Proceeds from sale of business (net of cash disposed)	21	45	-	49	-
Capital repayments and profit distributions received from Associates	12	3	4	-	-
Issue of loans to DTTL network firms	13	(5)	(1)	(5)	(1)
Repayment of loans by DTTL network firms		8	5	10	5
Net cash (used in)/generated by investing activities		18	(22)	35	(16)

1 'Income from investments in subsidiaries' represents non-cash transactions, being dividends received from fellow group entities, settled via intercompany offsets.

2 Movements in 'Trade and other receivables' and 'Trade and other payables' includes non-cash movements in relation to foreign currency movements and other immaterial items.

The notes on pages 16 to 82 form an integral part of these financial statements.

Cash Flow Statements

For the year ended 31 May 2023

£'million	Note	Group 2023	Group 2022	LLP 2023	LLP 2022
Financing activities					
Payments to members	18	(658)	(630)	(658)	(630)
Repayment of capital to former members		(14)	(14)	(14)	(14)
Capital contributions by members		32	164	32	164
Deemed distribution to parent		-	(1)	-	(1)
New borrowings raised		-	1	-	-
Repayment of borrowings	16	(2)	-	-	(70)
Principal element of lease payments		(58)	(74)	(48)	(64)
Interest paid		(19)	(16)	(19)	(16)
Net cash used in financing activities		(719)	(570)	(707)	(631)
Net increase/(decrease) in cash and cash equivalents		**(37)**	**170**	**12**	**113**
Cash and cash equivalents at the beginning of the year		608	428	432	318
Effects of exchange rate changes on cash and cash equivalents		2	10	1	1
		573	608	445	432
Cash and cash equivalents at the end of the year comprise:					
Cash and bank balances	16	573	608	445	432
		573	608	445	432

The notes on pages 16 to 82 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 May 2023

1. Basis of preparation

Basis of preparation

Deloitte LLP ('the LLP') is incorporated in the UK as a limited liability partnership under the Limited Liability Partnerships Act 2000 ('the Act') and is an affiliate of Deloitte NSE LLP. Deloitte NSE LLP, a limited liability partnership incorporated in the UK under the Act, is the ultimate holding and controlling party of the LLP (hereinafter, Deloitte NSE LLP and its subsidiaries are referred to as the 'Deloitte NSE Group'). The LLP is registered in England and Wales, and the address of the registered office of the LLP is 1 New Street Square, London, EC4A 3HQ.

These financial statements consolidate the results and financial position of the LLP and its subsidiary undertakings (together, the 'Group'). The parent entity financial statements present information about the LLP as a separate entity and not about the Group.

The principal activities of the Group are the provision of professional services. There were no significant changes in these activities during the year.

Both the Group and LLP financial statements (the 'financial statements') have been prepared in accordance with UK-adopted international accounting standards, together with those parts of the Companies Act 2006 applicable to limited liability partnerships. The financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB') and IFRS Interpretation Committee ('IFRIC') Interpretations (collectively 'IFRSs'). In presenting the LLP financial statements together with the Group financial statements, the LLP is taking advantage of the exemption in Section 408(4) of the Companies Act 2006, as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) regulations 2008, not to present its individual income statement and related notes as part of these approved financial statements.

The financial statements 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 the financial years presented.

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

Notes to the Financial Statements

For the year ended 31 May 2023

1. Basis of preparation (continued)

Going concern

These financial statements have been prepared on a going concern basis.

At 31 May 2023, total assets of the Group were £3,483 million (2022: £3,392 million), and net liabilities attributable to members were £230 million (2022: £531 million).

Net liabilities attributable to members arise primarily as a result of the recognition in these financial statements of a provision for annuities to former and current members of £1,172 million (2022: £1,444 million). The payment of such annuities is generally conditional on the future generation of profits and is payable over a number of years with £267 million (2022: £251 million) expected to be payable between 1 to 5 years, £265 million (2022: £283 million) between 5 to 10 years, £218 million (2022: £258 million) between 10 and 15 years and £422 million (2022: £652million) payable after 15 years. The annuity provisions are unfunded, are generally dependent on the future generation of profits and the annual payments are generally capped at 8% of applicable Group operating profit before annuity charges, as defined in the relevant agreement in any financial year. The retirement annuity scheme was closed to new entrants effective 1 June 2021.

In addition, in these financial statements, members' capital totalling £284 million (2022: £266 million) is treated as a financial liability. Capital is not repayable until the member retires or withdraws from the LLP. Members are required to give a minimum of six months' notice for exiting the LLP. Upon exiting the LLP, a member's capital must be repaid as soon as practicable after the retirement date.

At 31 May 2023, the Group's net cash position was £460 million (2022: £496 million) and the Group had undrawn facilities of £655 million (2022: £766 million). Refer to Note 16 for further details of the borrowing facilities. Note 20 includes the Group's objectives, policies, and processes for managing its capital and financial risk management objectives and its exposures to credit and liquidity risk.

In the assessment of going concern, forecasts have been prepared by the Group, reflecting the Group's business plan through to 31 May 2026.

In its assessment of going concern, the Group has had regard to all of the above, and also considered the economic environment in the markets in which the Group operates, as well as considering plausible downside scenarios.

In the severe, but plausible downside sensitivity scenarios, the following assumptions have been applied:

- Scenario 1: a reduction in revenue with no cost mitigation;
- Scenario 2: a worsening of cash collection; and
- Scenario 3: both a reduction in revenue (with no cost mitigation) and a worsening of cash collection.

The financial modelling shows that the Group's financial position remains manageable in all scenarios.

Consequently, the Group has a reasonable expectation that the LLP and the Group have sufficient resources to continue in operation for the going concern period, being a period of at least 12 months from the date of when the financial statements are authorised for issue. Accordingly, the going concern basis of accounting continues to be adopted in the preparation of these financial statements.

Notes to the Financial Statements

For the year ended 31 May 2023

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.

2.1 Significant accounting policies

Consolidation

Subsidiaries

The financial statements of the Group incorporate the financial statements of the LLP and its subsidiaries. Subsidiaries are entities under the control of the Group where control, as defined by IFRS 10 'Consolidated Financial Statements', is achieved when the Group has: (i) power over the investee; and, (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in full on consolidation.

Associates and Joint Ventures

Associates and joint ventures are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in the consolidated statement of comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investee, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee. The carrying amount of equity-accounted 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 the Group 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.

Non-controlling interests arise where the Group holds less than 100% of the shares in the entities acquired or, as a result of agreements in place, is entitled to less than 100% of profits or losses arising. Non-controlling interests are measured on initial recognition at their share of the relevant net assets.

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 inflows (cash generating units, or 'CGUs'). Goodwill is allocated to the Group of CGUs that are expected to benefit from the business combination. Any impairment loss in respect of goodwill is not reversed.

Disposals

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Foreign currency

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 consolidated income statement.

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

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

Revenue

The Group generates revenue primarily by delivering professional services to customers and audited entities (referred to as 'customers' hereafter), with the types of services offered being similar within each of its businesses namely Audit & Assurance, Consulting, Financial Advisory, Risk Advisory and Tax & Legal. 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 the Group most commonly satisfies are:

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

As a provider of professional services, the Group 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 the Group 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 the Group receives is typically based on one or more of four principal pricing mechanisms:

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

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Revenue (continued)

The Group 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 the Group expects to receive changes or when the consideration becomes fixed.

Most of the Group'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 'Revenue from contracts with customers', in virtually all contracts the Group 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.

The Group recognises revenue when it has satisfied performance obligations by transferring control of services to customers. The Group measures progress in satisfying the performance obligations as follows:

- For time and materials arrangements, the Group 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 the Group has the right to invoice to its customers.
- For fixed fee arrangements, the Group 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 fully constrained until the contingency is resolved, and only recognised within revenue at that point.
- 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.

The Group 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.

The Group has determined that no significant financing component exists in respect of its professional services as the period between when the Group 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.

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Revenue (continued)

Determining the number of performance obligations in the contractual arrangements with the Group's customers sometimes involves judgement. Whilst the Group's contractual arrangements often contain extensive details in relation to 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 service of integration performed by the Group 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 the Group 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.

Unsatisfied performance obligations

The majority of services performed by the Group are in respect of contracts with an expected duration of one 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 the Group 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 the Group 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.

Trade receivables are recognised when the right to consideration becomes unconditional and an invoice to the customer is raised. The Group's customers, including Deloitte NSE group undertakings and member firms in the Deloitte Touche Tohmatsu Limited ('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. The Group's standard terms generally state that invoices are due for settlement 30 days after the invoice date and after this date invoices are considered past due. Such amounts are disclosed as 'Due from DTTL network firms' within 'Trade and other receivables' (Note 14).

Contract assets

Contract assets represent revenues recognised in satisfying performance obligations where the Group's right to consideration is conditional upon something other than the passage of time, such as the performance of other performance obligations being completed in accordance with the terms of the contract, or the final billing 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 reclassified as trade receivables when billed to the customer in accordance with the agreed-upon contractual terms. Contract assets are disclosed as 'Amounts to be billed to customers' within 'Trade and other receivables' (Note 14).

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Contract liabilities

Contract liabilities arise when invoices are issued, or payments are received from customers in advance of the Group satisfying the performance obligations under the contract. These liabilities are extinguished, and revenues recognised as (or when) the Group satisfies the performance obligations. Contract liabilities are disclosed as 'Progress billings' within 'Trade and other payables. See Note 15.

Taxation

Taxation payable on profits of the LLP and other partnerships consolidated within the Group 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 the LLP members.

The tax expense recognised in these financial statements represents the sum of the current and deferred tax relating to consolidated corporate subsidiaries. The current tax expense is based on taxable profits of these companies. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements of the Group's corporate subsidiaries and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax liabilities are not recognised in relation to goodwill arising in a business combination. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the intention is to settle the current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax. Measurement is dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house tax experts, other Deloitte Member Firms internationally and previous experience.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Intangible assets

Computer software

Computer software comprises purchased software costs and costs directly associated with the development of software for internal use. Costs directly attributable to the development of internally generated computer software are recognised as intangible assets only if all 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.

Directly attributable costs that are capitalised as part of the asset include employee costs and an appropriate portion of direct overheads. Other development expenditure that does not meet these criteria are recognised in the income statement as an expense as incurred.

Costs directly associated with the purchase or development of computer software are stated at cost less accumulated amortisation and amortised on a straight-line basis over the expected useful economic life of the software, typically three to fourteen years.

Customer relationships, order books, brands and contracts

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

Goodwill

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.

Software-as-a-Service ('SaaS') arrangements

SaaS arrangements (service contracts) provide the Group with the right to access the cloud provider's application software over the contract period. The Group treats configuration and customisation costs in implementing SaaS arrangements as an operating expense (as the Group does not control the software) and recognise these costs in the income statement as the customisation and configuration services are received (where the configuration and customisation services are provided by the SaaS provider or a party acting for the SaaS provider and the configuration or customisation services are considered distinct from SaaS access or where the configuration and customisation services are provided by third parties not acting for the SaaS provider) or, in certain circumstances (where the configuration and customisation services are provided by the SaaS provider or a party acting for the SaaS provider and the configuration or customisation services are not considered distinct from SaaS access), over the SaaS contract term when access to the cloud application software is provided.

If the Group pays the supplier before receiving those services, the costs are recognised as a prepayment. The amortisation of the prepayment is recognised as an operating expense over the term of the service contract.

Costs incurred for the development that enhances or modifies, or creates additional capability to, existing on-premises systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

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 the estimated useful lives as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Lesser of useful life, or period of lease
Computer equipment	3 – 5 Years
Fixtures and fittings	5 – 10 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. 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 consolidated income statement.

Impairment of tangible and intangible assets including goodwill

Assets that are subject to depreciation or amortisation 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. An impairment loss is recognised immediately in profit or loss.

Where the asset does not generate cash inflows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. This is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs or group of CGUs expected to benefit from the business combination.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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.

When an impairment loss (for assets other than Goodwill) 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 to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Cash and bank balances

Cash and bank balances on the balance sheet comprise cash (cash on hand and demand deposits) and other short term highly liquid investments. Demand deposits and other short term highly liquid investments are presented as cash equivalents if they have an original maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

Bank overdrafts are shown within borrowings in current liabilities in the balance sheet, as they do not meet the netting criteria of IAS 32. Bank overdrafts are shown in cash equivalents in the cash flow statement where they form an integral part of cash management.

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.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group 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 ('FVTPL')) 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'). 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 loan receivables within other non-current assets, are subsequently measured using amortised cost (disclosed as Financial assets at amortised cost).

(ii) Equity instruments

All investments are subsequently measured at fair value. The Group 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 fair value through other comprehensive income ('FVTOCI'), with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the Members' other reserves. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity instruments, but instead, it is transferred to Members' other reserves.

Dividends on these investments are recognised in the income statement in accordance with IFRS 9 'Financial Instruments' unless the dividends clearly represent a recovery of part of the cost of investment.

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

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

The Group 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

The Group 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 and the corresponding historical credit losses experienced within this period. 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. The Group has considered the economic conditions and the regulatory environment for each customer industry and considered the geographical areas in which the Group 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. Debt instruments are considered to have low credit risk, with no history of losses incurred, 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, the Group 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 the Group is considered an event of default by the Group as historical experience indicates that financial assets that meet the criteria are generally not recoverable.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments (continued)

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 another financial reorganisation; and
- for reasons relating to the counterparty's financial difficulty, the Group has granted the counterparty concessions that the Group would not otherwise consider.

Write off policy

The Group 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 the Group'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 the Group 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.

Derecognition of financial assets and liabilities

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 the Group'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

The Group 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. The Group recognises derivative financial instruments at the date the contract is executed. Further details of derivative financial instruments are disclosed in Note 20.

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.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments (continued)

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 hedging relationship, the Group 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 20 sets out details of the fair values of and movements in the derivative instruments used for hedging purposes.

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 consolidated 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.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. Contracts may contain both lease and non-lease components. The Group allocates the consideration in such contracts to the lease and non-lease components on the basis of the relative stand-alone price of each lease component and the aggregate stand-alone price of the non-lease components, except for equipment contracts where the Group has elected not to separate lease and non-lease components and instead account for such contracts as a single lease. The Group 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 where the Group has elected not to (such as small items of office furniture and equipment). For these leases, the Group 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 the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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 the Group, 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, the Group:

- 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 the Group; and
- makes adjustments specific to the lease, e.g. term, country, and security.

The Group is exposed to potential future increases in variable lease payments that do not depend 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.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated 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
- any restoration costs.

Where the Group 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 is determined on the same basis as those of the corresponding/related 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 across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group 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 2023

2. 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, in consideration of the risks and uncertainties surrounding the obligation. When 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 (when 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

The Group provides retirement benefits through defined contribution schemes and defined benefit schemes.

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 schemes 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 consolidated 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 reclassified to the consolidated 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 the Group's defined benefit pension schemes.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Members

Annuities to current and former members

The Group provides for retirement annuities payable to members with a minimum of ten years' service in their capacity as members following their retirement. 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. 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.

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 the discount rate is presented in the income statement as part of finance cost.

The annuity for former and current members is included in provisions in the balance sheet. The portion of the provision 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 provision.

Members' capital

The capital requirements for the 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 the LLP. Members are required to give a minimum of six months' notice for exiting the LLP and the notice period must expire at the end of the financial year unless otherwise agreed by the LLP. Upon exiting the 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.

The cash flows associated with capital contributions paid into the LLP and repayments of capital to retiring members are classified as financing cash flows in the Statement of Cash Flows.

Allocation of profits

The allocation of profit is at the discretion of the Deloitte NSE Board in accordance with the formal member remuneration procedures in place. Each member 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 member remuneration reflects their contribution to audit quality.

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

Once such discretionary profits are paid to members, the resulting cash flows are classified as financing cash flows in the Statement of Cash Flows.

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, are charged to the consolidated income statement.

Such payments are classified as operating cash flows within the Statement of Cash Flows.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Members (continued)

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.

2.2 Critical accounting judgements and key sources of estimation uncertainty

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.

In the course of preparing the financial statements, no significant judgements have been made in the process of applying the group's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements.

The key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

Key sources of estimation uncertainty identified for the Group

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 outcome 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. A 5% movement in Amounts to be Billed to Customers (Group: £795 million at 31 May 2023) would result in a change in Group revenue of £40 million.

Provision for member annuities

The Group has used certain assumptions in determining the value of the provision for retirement annuities. The assumptions include future profit assumptions and the related actuarial assumptions, in particular those related to discount rate, inflation rate and mortality. For the assumptions on discount rate and future profits, there is a significant risk of a material adjustment to the carrying amount in the next financial year arising from reasonably possible changes to those assumptions. Further details of the estimates and assumptions are set out in Note 17. The Group will continue to review these assumptions against the Group's experience and market data, and adjustments will be made in future periods where appropriate.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

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

Key sources of estimation uncertainty identified for the Group (continued)

Retirement benefit obligation

The pension liabilities in respect of the UK and Swiss defined benefit schemes have been independently valued using certain assumptions relating to discount rate, inflation and mortality. For the discount rate assumption on the UK scheme, there is a significant risk of a material adjustment to the carrying amount in the next financial year arising from reasonably possible changes to those assumptions. Further details of the estimates and assumptions are set out in Note 19. The Group continues to review these assumptions against 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 17.

2.3 Amendments to IFRSs adopted by the Group

New standards that have been adopted in the current year but have not had a significant effect on the Group are:

- 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 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.

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.4 Impact of standards issued but not yet applied by the Group

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17) – effective for periods beginning on or after 1 January 2023;
- 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;
- 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;
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments to IAS 21) – effective 1 January 2025;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective date has yet to be set by the Board, however, earlier application of the amendments is permitted.
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) – effective 1 January 2023
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information – effective 1 January 2024
- IFRS S2 Climate-related Disclosures – effective 1 January 2024
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) – effective 1 January 2024
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) – effective 1 January 2024
- Non-current Liabilities with Covenants (Amendments to IAS 1) – effective 1 January 2024
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) – effective 1 January 2024

The adoption of these amendments is not expected to have a significant impact on either the Group or LLP's financial statements in future periods except as noted below.

IFRS S1—General Requirements for Disclosure of Sustainability-related Financial Information and *IFRS S2 – Climate-related Disclosures*
The Group is in the process of assessing the impact of these new standards.

IFRS 17: Insurance Contracts (effective from 1 June 2023)
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Group has determined that its retirement annuities payable to former and current members (Note 17) will be in the scope of IFRS 17. It has been determined that it would be impracticable to apply IFRS 17 retrospectively and based on the reasonable and supportable information available at the date of transition, the Group will adopt the fair value transition approach. IFRS 17 applies a different measurement approach to the measurement approach applied currently. The measurement approach principally includes the identification of (a) best estimate of liabilities, (b) explicit risk adjustments and (c) the contractual service margin. The Group's preliminary assessment of these components has indicated that the expected impact of transitioning to IFRS 17 on the carrying value of the liability at the effective date of 1 June 2023 would be a material increase of approximately 17% to 20% on the 31 May 2023 liability of £1,172 million (Note 17).

Notes to the Financial Statements

For the year ended 31 May 2023

3. Revenue

The table below shows the Group's revenue from contracts with customers by business:

£'million	2023	2022
Audit & Assurance	992	826
Consulting	1,952	1,675
Financial Advisory	783	682
Risk Advisory	576	562
Tax & Legal	1,306	1,195
	5,609	4,940

The table below shows the Group's revenue from customers disaggregated by managed territory:

£'million	2023	2022
United Kingdom	4,820	4,283
Switzerland	772	641
Other	17	16
	5,609	4,940

Details of the Group's and LLP's trade receivables and amounts to be billed to customers are disclosed in Note 14 and progress billings in Note 15.

The Group 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 2023 and 2022, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied on fixed price contracts with a duration of greater than one year was not material.

Notes to the Financial Statements

For the year ended 31 May 2023

4. Employee costs

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

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Salaries[1]	2,282	1,864	1,203	987
Social security costs	250	205	143	120
Pension costs (Note 19)				
Defined contribution	231	188	147	122
Defined benefit – current and past service cost	26	30	-	-
	2,789	2,287	1,493	1,229

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

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

Number	Group 2023	Group 2022	LLP 2023	LLP 2022
Customer facing employees	23,259	19,851	12,952	11,305
Non-customer facing employees	3,244	2,848	2,823	2,419
	26,503	22,699	15,775	13,724

The average number of members of the Group and LLP during the year was 714 (2022: 672).

Notes to the Financial Statements

For the year ended 31 May 2023

5. Other operating expenses

Other operating expenses incurred comprise:

£'million	2023	2022
Current and former member annuities (Note 17)		
Annuities to current members:		
Current year charge	33	36
Actuarial gains	(151)	(15)
Annuities to former members:		
Actuarial gains	(158)	(67)
Total current and former member annuities	(276)	(46)
Expenses and sub-contractor costs on customer assignments	1,309	1,131
Impairment charges on non-current assets (Notes 9 and 10)	-	17
Net impairment losses on financial assets	4	-
Other[1]	633	585
	1,670	1,687

[1]Other primarily comprises DTTL subscription fees, IT costs, non-discretionary payments to members, consultants' costs, professional fees, property costs and rental expenses on short-term leases. In 2022, Other operating expenses also includes a £49 million charge in relation to the exit of property leases.

Fees and expenses payable to the Group's auditors, BDO LLP, are as follows:

£'000	2023	2022
Audit of LLP and Group financial statements	350	284
Audit of subsidiaries' financial statements	397	343
Total audit fees	747	627
Other non-audit services	60	61

6. Net finance expenses

£'million	2023	2022
Finance income:		
Interest income	(13)	(1)
	(13)	(1)
Finance expense:		
Interest on borrowings	5	6
Finance charges on lease liabilities (Note 10)	13	11
Unwinding of discounts on member annuities (Note 17)	50	30
Unwinding of discounts on provisions (Note 17)	1	-
	69	47
Net finance expenses	56	46

Notes to the Financial Statements

For the year ended 31 May 2023

7. Tax expense in corporate subsidiaries

Income tax payable on the profits of the LLP is solely the personal liability of the individual members and consequently is not dealt with in these financial statements.

Certain subsidiary entities consolidated in these financial statements are subject to taxes on their own results:

£'million	2023	2022
Current tax on income of subsidiary entities for the financial year	33	26
Deferred tax movements	(2)	2
Tax expense in corporate subsidiaries	31	28

The following table reconciles the tax expense at the standard rate to the actual tax expense:

£'million	2023	2022
Profit on ordinary activities of corporate entities before tax	144	142
UK Corporation Tax at 20%[1] (2022: 19%)	29	27
Impact of items not deductible for tax purposes	4	1
Adjustment in respect of prior periods	(2)	-
Total tax expense	31	28

1 For the current year, the calculation of corporate tax takes into account a weighted average of tax rates, where 25% and 19% were applied, resulted in an average tax rate of 20%.

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

At 31 May 2023, the corporation tax payable is £7 million (2022: £4 million) and is included within 'Trade and other payables' in the balance sheet. Additionally, corporation tax receivable is £7 million (2022: Nil) and is included within 'Trade and other receivables' in the balance sheet.

The Group's deferred tax asset of £4 million (2022: £2 million), is primarily related to temporary differences for property, plant and equipment.

The Finance Act 2021 increased the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. Deferred tax balances on temporary differences as at 31 May 2023 have been measured at 25%. Changes in corporation tax rates are accounted for when substantively enacted.

Notes to the Financial Statements

For the year ended 31 May 2023

8. Intangible assets

Group

£'million	Goodwill	Computer software	Customer relationships, order books, brands and contracts	Total
Cost				
At 1 June 2021	74	33	45	152
Additions	2	-	-	2
At 31 May 2022	76	33	45	154
Additions	11	-	-	11
Disposal of business	-	-	(4)	(4)
At 31 May 2023	87	33	41	161
Accumulated amortisation/impairment				
At 1 June 2021	2	22	26	50
Amortisation charge	-	4	3	7
At 31 May 2022	2	26	29	57
Amortisation charge	-	2	2	4
Disposal of business	-	-	(1)	(1)
At 31 May 2023	2	28	30	60
Net book value				
At 31 May 2023	85	5	11	101
At 31 May 2022	74	7	16	97

On 14 January 2023, the Group acquired the business and assets of Reformis, a business transformation and financial technology consultancy. This resulted in the recognition of £11 million of goodwill in the year ended 31 May 2023.

On 18 March 2022, the Group completed the acquisition of the shares of Etain Limited, a Northern Irish Consultancy practice with 67 employees. This resulted in the recognition of £2 million of goodwill in the year ended 31 May 2022.

Goodwill acquired in a business combination is allocated, at acquisition, to the group of CGUs that are expected to realise economic benefits from the business combination. For the purpose of goodwill impairment, management have concluded that the Group's aggregation of CGUs are at the individual business level. This is the lowest level within the Group at which goodwill is monitored and regularly reviewed by management. The allocation of goodwill to each of the Group's groups of CGUs is as follows:

£'million	2023	2022
Switzerland Consulting	17	17
UK Consulting	49	38
UK Tax & Legal	16	16
Other	3	3
	85	74

Notes to the Financial Statements

For the year ended 31 May 2023

8. Intangible assets (continued)

The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows based on management prepared financial forecasts that do not extend beyond five years. The key assumptions in preparing these forecasts are revenue growth rates, gross margins and operating costs. The revenue growth rates are based on current market trends for the business in each business service line that the Group operates in. Gross margins are based on past performance and management's expectation for the future. Fixed operating costs are based on the Group's current structure and adjusted for inflationary increases but do not include any future restructuring or cost saving measures.

Cash flows for the periods beyond existing budgets have been extrapolated using long-term growth rates of between 1.6% to 2.1% (2022: 2.1% to 2.7%). The pre-tax discount rates applied against the anticipated future cash flows are, based on an estimated weighted average cost of capital, 10% to 13.25% (2022: 10% to 11.25%).

No reasonably possible change in a key assumption used in assessing goodwill for impairment would cause the carrying amounts of the groups of CGUs to exceed their recoverable amounts.

LLP

£'million	Goodwill	Computer software	Customer relationships, order books, brands and contracts	Total
Cost				
At 1 June 2021, 31 May 2022 and 31 May 2023	19	28	14	61
Accumulated amortisation/impairment				
At 1 June 2021	-	20	8	28
Amortisation charge	-	4	2	6
At 31 May 2022	-	24	10	34
Amortisation charge	-	1	-	1
At 31 May 2023	-	25	10	35
Net book value				
At 31 May 2023	19	3	4	26
At 31 May 2022	19	4	4	27

At 31 May 2023, the goodwill within the LLP reflects the business acquisitions attributable to, predominately, UK Tax & Legal.

Notes to the Financial Statements

For the year ended 31 May 2023

9. Property, plant and equipment

Group

	Leasehold improvements	Computer equipment	Fixture and fittings	Asset under construction	Total
Cost					
At 1 June 2021	275	116	77	44	512
Additions	3	17	1	4	25
Disposals	(28)	(44)	(16)	-	(88)
Transfers	31	2	3	(36)	-
Exchange differences	3	(2)	2	-	3
At 31 May 2022	284	89	67	12	452
Correction of opening balance[1]	-	10	-	-	10
At 1 June 2022	284	99	67	12	462
Additions	2	17	1	14	34
Disposals	(32)	(5)	(4)	-	(41)
Transfers	-	5	-	(5)	-
Exchange differences	5	2	1	(1)	7
At 31 May 2023	259	118	65	20	462
Accumulated depreciation/impairment					
At 1 June 2021	144	76	50	-	270
Depreciation charge	20	25	6	-	51
Disposals	(28)	(43)	(15)	-	(86)
Impairment charge	11	-	2	-	13
Exchange differences	1	(4)	-	-	(3)
At 31 May 2022	148	54	43	-	245
Correction of opening balance[1]	-	10	-	-	10
At 1 June 2022	148	64	43	-	255
Depreciation charge	20	20	5	-	45
Disposals	(32)	(5)	(4)	-	(41)
Exchange differences	2	2	-	-	4
At 31 May 2023	138	81	44	-	263
Net book value					
At 31 May 2023	121	37	21	20	199
At 31 May 2022	136	35	24	12	207

1 Cost and accumulated depreciation/impairment balances at 31 May 2022 were understated at a gross level. It was due to a clerical error in the Group disclosure which involved the adjustment of assets transferred. As such the opening balances have been corrected. These corrections have no impact on net book values at 31 May 2022.

Assets under construction for the Group mainly related to IT cost of £4 million and leasehold improvements of £15 million (2022: IT costs of £6 million and leasehold improvements of £4 million).

Notes to the Financial Statements

For the year ended 31 May 2023

9. Property, plant and equipment (continued)

LLP

	Leasehold improvements	Computer equipment	Fixture and fittings	Asset under construction	Total
Cost					
At 1 June 2021	257	108	69	7	441
Additions	2	16	1	4	23
Disposals	(20)	(43)	(9)	-	(72)
Transfers	-	1	-	(1)	-
At 31 May 2022	239	82	61	10	392
Correction of opening balance[1]	-	10	-	-	10
At 1 June 2022	239	92	61	10	402
Additions	2	14	1	13	30
Disposals	(30)	(4)	(4)	-	(38)
Transfers	-	6	-	(6)	-
At 31 May 2023	211	108	58	17	394
Accumulated depreciation/impairment					
At 1 June 2021	130	67	43	-	240
Depreciation charge	16	23	5	-	44
Disposals	(20)	(43)	(9)	-	(72)
Impairment charge (Note 10)	11	-	2	-	13
At 31 May 2022	137	47	41	-	225
Correction of opening balance[1]	-	10	-	-	10
At 1 June 2022	137	57	41	-	235
Depreciation charge	16	19	4	-	39
Disposals	(30)	(4)	(4)	-	(38)
At 31 May 2023	123	72	41	-	236
Net book value					
At 31 May 2023	88	36	17	17	158
At 31 May 2022	102	35	20	10	167

1 Cost and accumulated depreciation/impairment balances at 31 May 2022 were understated at gross level. It was due to a clerical error in the Group disclosure which involved the adjustment of assets transferred. As such the opening balances have been corrected. These corrections have no impact on net book values at 31 May 2022.

Assets under construction for the LLP related to the costs of IT cost of £3 million and leasehold improvements of £14 million (2022: £4 million of leasehold improvements and IT costs of £6 million).

Capital commitments relating to property, plant and equipment contracted but not provided for at 31 May 2023 amounted to £12 million (2022: £4 million) for the Group and the LLP and related principally to leasehold improvements.

Notes to the Financial Statements

For the year ended 31 May 2023

10. Leases

Right-of-use assets

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

Group

£'million	Buildings	Equipment	Motor vehicles	Total
Cost				
At 1 June 2021	762	13	7	782
Additions	34	2	6	42
Disposals	(38)	-	(1)	(39)
Remeasurement and other movements[1]	10	3	-	13
At 31 May 2022	768	18	12	798
Additions	15	-	13	28
Disposals	(8)	(1)	(2)	(11)
Remeasurement and other movements[1]	(1)	2	-	1
At 31 May 2023	774	19	23	816
Accumulated depreciation/impairment				
At 1 June 2021	138	4	3	145
Depreciation charge	59	5	4	68
Impairment charge	4	-	-	4
Disposals	(38)	-	(1)	(39)
At 31 May 2022	163	9	6	178
Depreciation charge	59	4	7	70
Disposals	(8)	(1)	(2)	(11)
Remeasurement and other movements[1]	2	1	-	3
At 31 May 2023	216	13	11	240
Net book value				
At 31 May 2023	558	6	12	576
At 31 May 2022	605	9	6	620

1 Other movements include lease modifications and foreign exchange movements

The Group has taken the recognition exemption 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, the Group recognises the lease payments as an operating cost on a straight-line basis over the term of the lease.

The maturity analysis (contractual undiscounted lease payments) of lease liabilities is presented in Note 20.

The Group and the LLP lease buildings, equipment and vehicles. At 31 May 2023, the weighted average remaining lease term is 12 years (2022: 12 years) for the Group and 13 years (2022: 13 years) for the LLP. Such lease arrangements typically include extension and termination options which are exercised in line with business needs.

The total cash outflow for leases for the Group and LLP consists of fixed payments of £71 million (2022: £85 million) and £61 million (2022: £75 million). There are no variable payments.

At 31 May 2023, the Group and LLP had committed to leases which had not yet commenced. The total future cash outflow that had not yet commenced was £18 million (2022: £15 million).

Notes to the Financial Statements

For the year ended 31 May 2023

10. Leases (continued)

LLP

£'million	Buildings	Equipment	Motor vehicles	Total
Cost				
At 1 June 2021	687	10	7	704
Additions	32	-	6	38
Disposals	(28)	-	(1)	(29)
Remeasurement and other movements[1]	9	3	-	12
At 31 May 2022	700	13	12	725
Additions	15	-	13	28
Disposals	(6)	(1)	(2)	(9)
Remeasurement and other movements[1]	(10)	(1)	-	(11)
At 31 May 2023	699	11	23	733
Accumulated depreciation/impairment				
At 1 June 2021	118	4	3	125
Depreciation charge	52	4	4	60
Impairment charge	4	-	-	4
Disposals	(28)	-	(1)	(29)
At 31 May 2022	146	8	6	160
Depreciation Charge	50	3	7	60
Disposals	(6)	(1)	(2)	(9)
At 31 May 2023	190	10	11	211
Net book value				
At 31 May 2023	509	1	12	522
At 31 May 2022	554	5	6	565

1 Other movements include lease modifications and foreign exchange movements

Amounts recognised in the income statement consist of:

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Depreciation expense on right-of-use assets	70	68	60	60
Impairment charge on right-of-use assets	-	4	-	4
Finance charges on lease liabilities (Note 6)	13	11	13	11
Expense relating to short-term leases	1	2	1	1
Expense relating to low-value assets	1	-	1	-

Notes to the Financial Statements

For the year ended 31 May 2023

11. Interests in joint ventures and associates

Group

£'million	2023	2022
At 1 June	20	20
Share of results	-	3
Capital investment	-	1
Capital repayment	-	(4)
Dividend received	(3)	-
At 31 May	17	20

The joint ventures and associates are listed in Note 23. No joint venture or associate is individually material to the Group.

12. Investments in subsidiaries and associates

The subsidiary undertakings of the LLP are set out in Note 23. Movements in the investments in subsidiary and associate undertakings during the year were as follows:

LLP

£'million	Subsidiary undertakings	Associate undertakings	Total
Cost			
At 1 June 2021	41	17	58
Subsidiary and associate undertakings placed into liquidation	(30)	(16)	(46)
Disposals	-	(1)	(1)
At 31 May 2022 and 31 May 2023	11	-	11
Provision			
At 1 June 2021	3	17	20
Subsidiary and associate undertakings placed into liquidation	-	(16)	(16)
Disposals	-	(1)	(1)
At 31 May 2022 and 31 May 2023	3	-	3
Net book value			
At 31 May 2023	8	-	8
At 31 May 2022	8	-	8

In the financial year ended 31 May 2022, the component entities of the Pension Funding Partnership were put into liquidation. Accordingly, the Group was deemed to no longer have control over these entities at 31 May 2022 and they were deconsolidated. This resulted in the reclassification of the Group's equity interest in such other entities to 'Other non-current assets'.

In the financial year ended 31 May 2022, Deloitte CIS Limited, an associate undertaking of the LLP, was put into voluntary liquidation. This process resulted in the LLP losing significant influence. The carrying value of Deloitte CIS Limited was £nil (cost of £16 million with a full provision of £16 million).

Notes to the Financial Statements

For the year ended 31 May 2023

13. Other non-current assets

£'million	Group Equity investments	Group Financial Assets at Amortised cost	Group Total investments	LLP Equity investments	LLP Financial Assets at Amortised cost	LLP Total investments
Cost						
At 1 June 2021	12	42	54	9	26	35
Additions	2	1	3	2	1	3
Subsidiary and associate undertakings placed into liquidation	30	-	30	30	-	30
Disposals	(1)	(4)	(5)	(1)	(4)	(5)
Capital repayments	-	(5)	(5)	-	(5)	(5)
Exchange differences	-	4	4	-	4	4
At 31 May 2022	43	38	81	40	22	62
Additions	3	5	8	3	5	8
Disposals	(2)	-	(2)	(2)	-	(2)
Capital repayments	-	(11)	(11)	-	(13)	(13)
Fair value movement	(1)	-	(1)	(1)	-	(1)
Exchange differences	-	1	1	-	1	1
At 31 May 2023	43	33	76	40	15	55
Provision						
At 1 June 2021	1	4	5	1	2	3
Disposals	(1)	(4)	(5)	(1)	(2)	(3)
At 31 May 2022 and 31 May 2023	-	-	-	-	-	-
Net book value						
At 31 May 2023	43	33	76	40	15	55
At 31 May 2022	43	38	81	40	22	62

Equity investments include non-controlling equity investments in non-listed entities. These investments were irrevocably designated at FVTOCI as the Group considers these investments to be strategic in nature.

Included within Financial assets at amortised cost are loan receivables from related parties with fixed rates between 0% and 10% and floating rates between 1% and 2% above a reference rate (Note 22). Repayment dates range between payable on demand and 2029. The carrying amounts are measured at amortised cost. No loss allowance has been recognised in respect of Financial assets at amortised cost as they have a very low credit risk with no history of losses being incurred.

Notes to the Financial Statements

For the year ended 31 May 2023

14. Trade and other receivables

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Customer receivables	723	714	473	458
Due from DTTL network firms[1]	147	122	82	63
Trade receivables	870	836	555	521
Amounts to be billed to customers	795	711	579	517
Amounts owed by Group undertakings	-	-	96	223
Prepayments	82	77	38	42
Insurance reimbursement receivable[2]	58	-	58	-
Other receivables[3]	51	30	35	26
	1,856	1,654	1,361	1,329

1 Due from DTTL network firms includes amounts owed by Deloitte NSE Group undertakings (Note 22) as well as other DTTL member firms.

2 Insurance reimbursement receivable relates to amounts that the Group is virtually certain to recover from its insurance providers in relation to payments the Group will make for professional liability claims (Note 17).

3 Other receivables primarily comprises holiday and bank holiday leave receivables, apprenticeship levy, employee travel loans and tax receivables due to the Group.

The carrying amount of 'Trade receivables', 'Amounts to be billed to customers', 'Amounts owed by Group undertakings' and 'Insurance reimbursement receivable' approximates their fair value (Note 20).

Loss allowance - Group

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

	Trade receivables		Amount to be billed to customers	
£'million	2023	2022	2023	2022
At 1 June	22	19	4	3
Increase in loss allowance recognised during the year	2	4	-	1
Individually credit impaired receivables	2	3	-	-
Unused amount reversed	(1)	-	(1)	-
Receivables written off during the year as uncollectable	(3)	(4)	-	-
At 31 May	22	22	3	4

The loss allowances as at 31 May 2023 was determined as follows:

Group	Trade receivables						
£'million	30 days or less	31 to 90 days	91 to 180 days	More than 181 days	Total	Amounts to be billed to customers	Total
Gross carrying amount	472	311	77	32	892	798	1,690
Expected credit loss rate	0.42%	0.66%	2.22%	5.80%		0.42%	
Collectively assessed loss allowance	(2)	(2)	(1)	(2)	(7)	(3)	(10)
Individually assessed loss allowance	-	-	-	(15)	(15)	-	(15)
Total loss allowance	(2)	(2)	(1)	(17)	(22)	(3)	(25)
Net balance	470	309	76	15	870	795	1,665

Notes to the Financial Statements

For the year ended 31 May 2023

14. Trade and other receivables (continued)

The loss allowance as at 31 May 2022 was determined as follows:

Group	Trade receivables					Amounts to be billed to customers	Total
£'million	30 days or less	31 to 90 days	91 to 180 days	More than 181 days	Total		
Gross carrying amount	454	305	68	31	858	715	1,573
Expected credit loss rate	0.58%	0.93%	3.08%	7.22%		0.56%	
Collectively assessed loss allowance	(3)	(3)	(2)	(1)	(9)	(4)	(13)
Individually assessed loss allowance	-	-	-	(13)	(13)	-	(13)
Total loss allowance	(3)	(3)	(2)	(14)	(22)	(4)	(26)
Net balance	451	302	66	17	836	711	1,547

Loss allowance – LLP

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

	Trade receivables		Amount to be billed to customers	
£'million	2023	2022	2023	2022
At 1 June	16	14	4	3
Increase in loss allowance recognised during the year	2	3	-	1
Individually credit impaired receivables	1	3	-	-
Unused amount reversed	(1)	-	(2)	-
Receivables written off during the year as uncollectable	(3)	(4)	-	-
At 31 May	15	16	2	4

The loss allowance as at 31 May 2023 was determined as follows:

	Trade receivables					Amounts to be billed to customers	Total
£'million	30 days or less	31 to 90 days	91 to 180 days	More than 181 days	Total		
Gross carrying amount	318	185	46	21	570	581	1,151
Expected credit loss rate	0.42%	0.66%	2.22%	5.80%		0.42%	
Collectively assessed loss allowance	(1)	(1)	(1)	(1)	(4)	(2)	(6)
Individually assessed loss allowance	-	-	-	(11)	(11)	-	(11)
Total loss allowance	(1)	(1)	(1)	(12)	(15)	(2)	(17)
Net balance	317	184	45	9	555	579	1,134

The loss allowance as at 31 May 2022 was determined as follows:

	Trade receivables					Amounts to be billed to customers	Total
£'million	30 days or less	31 to 90 days	91 to 180 days	More than 181 days	Total		
Gross carrying amount	295	176	43	23	537	521	1,058
Expected credit loss rate	0.58%	0.93%	3.08%	7.22%		0.56%	
Collectively assessed loss allowance	(2)	(2)	(1)	(1)	(6)	(4)	(10)
Individually assessed loss allowance	-	-	-	(10)	(10)	-	(10)
Total loss allowance	(2)	(2)	(1)	(11)	(16)	(4)	(20)
Net balance	293	174	42	12	521	517	1,038

Notes to the Financial Statements

For the year ended 31 May 2023

15. Trade and other payables

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Progress billings	338	394	226	252
Trade payables	29	35	22	23
Due to DTTL network firms[1]	86	87	51	59
Amounts owed to Group undertakings	-	-	-	4
Corporation tax	7	4	-	-
Social security and other taxes	158	115	121	87
Accruals	629	580	376	359
Others[2]	93	83	73	71
	1,340	1,298	869	855

1 Due to DTTL network firms includes amounts owed to Deloitte NSE Group undertakings (Note 22) as well as other DTTL member firms.

2 Other payables primarily comprise outstanding amounts due to the Pension Funding Partnership (which is no longer part of the Group), amounts due to retired members, employee expenses to be reimbursed and pension scheme contributions.

The carrying amount of 'Trade payables', 'Due to DTTL network firms' and 'Amount owed to Group undertakings' approximates to their fair value (Note 20).

Group

During the financial year ended 31 May 2023, £382 million (2022: £323 million) of the Group's £394 million (2022: £332 million) prior year recorded progress billings was recognised as revenue.

LLP

During the financial year ended 31 May 2023, £248 million (2022: £216 million) of the LLP's £252 million (2022: £219 million) prior year recorded progress billings were recognised as revenue.

Notes to the Financial Statements

For the year ended 31 May 2023

16. Cash and borrowings

Cash and bank balances comprise:

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Cash at bank	171	148	43	7
Short-term deposits	402	460	402	425
	573	608	445	432

The carrying amount of 'Cash and bank balances' approximates to fair value.

Borrowings comprise:

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Unsecured borrowings at amortised cost				
Private Placement Loan Notes	113	110	113	110
Bank loans	-	2	-	-
	113	112	113	110

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Amounts due for settlement within 12 months	113	2	113	-
Amounts due for settlement after 12 months	-	110	-	110
	113	112	113	110

Notes to the Financial Statements

For the year ended 31 May 2023

16. Cash and borrowings (continued)

Private Placement Loan Notes (the 'Notes')

The coupons and maturities on the 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 4.38% (2022: 4.38%). The Group and LLP have 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 Group and 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, the Group and LLP entered into cross-currency swap agreements to eliminate the variability in US dollar cash flows associated with the Series B Notes. The swaps expire in line with the Notes and are disclosed in Note 20.

Other facilities - Group

At 31 May 2023, the Group had total facilities of £655 million (2022: £768 million) with leading international banks. These facilities comprised:

- revolving credit facilities totalling £600 million (2022: £715 million) which expire on 06 December 2027; and
- overdraft facilities of £55 million (2022: £51 million) which are indefinite;

The revolving credit facilities carry an interest rate which is the aggregate of the Sterling Overnight Index Average, or SONIA, and a margin as well as utilisation fees when drawings reach certain levels. Commitment fees are payable on the amounts undrawn.

At 31 May 2022, the Group also had a £2 million multi-option facility which expired during the year.

At 31 May 2023, £nil (2022: £2 million) had been drawn down against these facilities. These facilities are considered adequate to finance variations in the Group's working capital.

Other facilities - LLP

At 31 May 2023 the LLP had total facilities of £610 million (2022: £725 million) with banks. These facilities include the revolving credit facilities totalling £600 million described above and a £10 million overdraft facility which is indefinite. At 31 May 2023, £nil (2022: £nil) had been drawn down against these facilities. These facilities are considered adequate to finance variations in the LLP's working capital.

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16. Cash and borrowings (continued)

Cash flow reconciliations

The tables below detail changes in the Group and 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 the Group or LLP's cash flow statements within financing activities.

Group £'million	Lease liabilities	Non-current borrowings	Current borrowings	Members' capital	Amounts due (from)/to members
At 1 June 2021	683	100	1	116	(27)
Lease payments	(85)	-	-	-	-
New borrowings raised	-	-	1	-	-
Repayment of capital to former members	-	-	-	(14)	-
Capital contributions by members	-	-	-	164	-
Payments to members	-	-	-	-	(630)
Foreign exchange movements	-	10	-	-	-
Other non-cash movements [1]	92	-	-	-	575
At 31 May 2022	690	110	2	266	(82)
Lease payments	(58)	-	-	-	-
Interest payment	(13)	(6)	-	-	-
Reclassification	-	(113)	113	-	-
Repayment of borrowings	-	-	(2)	-	-
Repayment of capital to former members	-	-	-	(14)	-
Capital contributions by members	-	-	-	32	-
Payments to members	-	-	-	-	(658)
Interest accrued	13	6	-	-	-
Foreign exchange movements	3	3	-	-	-
Other non-cash movements [1]	33	-	-	-	686
At 31 May 2023	668	-	113	284	(54)

1 Other non-cash movements relate to lease additions and remeasurements, foreign exchange movements and allocation of profit to members.

Notes to the Financial Statements

For the year ended 31 May 2023

16. Cash and borrowings (continued)

LLP £'million	Lease liabilities	Non-current borrowings	Current borrowings	Members' capital	Amounts due (from)/to members
At 1 June 2021	619	100	212	116	(27)
Lease payments	(75)	-	-	-	-
Repayment of borrowings	-	-	(70)	-	-
Repayment of capital to former members	-	-		(14)	-
Capital contributions by members	-	-	-	164	-
Payments to members	-	-	-	-	(630)
Foreign exchange movements	-	10	-	-	-
Other non-cash movements [1]	89	-	(142)	-	575
At 31 May 2022	633	110	-	266	(82)
Lease payments	(48)	-	-	-	-
Interest payment	(13)	(5)	-	-	-
Reclassification	-	(113)	113	-	-
Repayment of capital to former members	-	-	-	(14)	-
Capital contributions by members	-	-	-	32	-
Payments to members	-	-	-	-	(658)
Interest accrued	13	5	-	-	-
Foreign exchange movements	-	3	-	-	-
Other non-cash movements [1]	31	-	-	-	686
At 31 May 2023	616	-	113	284	(54)

1 *Other non-cash movements relate to lease additions and remeasurements, foreign exchange movements, waiver of amounts payable under the factoring arrangement and allocation of profit to members. At 31 May 2021, the amount repayable under the factoring agreement was £212 million. During the financial year ended 31 May 2022, the LLP repaid the debt for consideration of £75 million (being £70 million cash payment and £5 million promissory note). The remainder of the debt balance was waived as part of a series of transactions under the agreement between the LLP and the Trustees of the Deloitte UK Pension Scheme to unwind the Pension Funding Partnership structure.*

Notes to the Financial Statements

For the year ended 31 May 2023

17. Provisions

Group

£'million	Former member annuities	Current member annuities	Property provisions	Professional liability claims	Total
At 1 June 2021	943	558	58	47	1,606
Charge for the year	-	36	-	21	57
Additions	-	-	6	-	6
Transfer	50	(50)	-	-	-
Paid in the year	(41)	-	(8)	(17)	(66)
Unused amount released	-	-	(4)	(13)	(17)
Unwinding of discount (Note 6)	18	12	-	-	30
Actuarial gains	(67)	(15)	-	-	(82)
At 31 May 2022	903	541	52	38	1,534
Charge for the year	-	33	-	74	107
Additions	-	-	2	-	2
Remeasurement	-	-	(16)	-	(16)
Transfer	40	(40)	-	-	-
Paid in the year	(46)	-	-	(15)	(61)
Unused amount released	-	-	(2)	(6)	(8)
Unwinding of discount (Note 6)	31	19	1	-	51
Actuarial gains	(158)	(151)	-	-	(309)
At 31 May 2023	770	402	37	91	1,300
Income statement (credit)/charge					
2023	(127)	(99)	(1)	68	(159)
2022	(49)	33	(4)	8	(12)

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Included in current liabilities	118	68	115	63
Included in non-current liabilities	1,182	1,466	1,180	1,464
	1,300	1,534	1,295	1,527

Notes to the Financial Statements

For the year ended 31 May 2023

17. Provisions (continued)

LLP

£'million	Former member annuities	Current member annuities	Property provisions	Professional liability claims	Total
At 1 June 2021	943	558	58	45	1,604
Charge for the year	-	36	-	21	57
Additions	-	-	3	-	3
Transfer	50	(50)	-	-	-
Paid in the year	(41)	-	(8)	(19)	(68)
Unused amount released	-	-	(4)	(13)	(17)
Unwinding of discount (Note 6)	18	12	-	-	30
Actuarial gains	(67)	(15)	-	-	(82)
At 31 May 2022	903	541	49	34	1,527
Charge for the year	-	33	-	72	105
Additions	-	-	2	-	2
Remeasurement	-	-	(16)	-	(16)
Transfer	40	(40)	-	-	-
Paid in the year	(46)	-	-	(15)	(61)
Unused amount released	-	-	(1)	(3)	(4)
Unwinding of discount (Note 6)	31	19	1	-	51
Actuarial gains	(158)	(151)	-	-	(309)
At 31 May 2023	770	402	35	88	1,295
Income statement (credit)/charge					
2023	(127)	(99)	-	69	(157)
2022	(49)	33	(4)	8	(12)

Property provisions

Provisions are recognised for obligations to restore premises to their original condition upon vacating them in consultation with the relevant experts, 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 for the Group of £37 million (2022: £52 million) are expected to be utilised by 2041 (2022: 2041). Property provisions for the LLP of £35 million (2022: £49 million) are expected to be utilised by 2037 (2022: 2037).

Professional liability claims

The Group and its members 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. These are measured based upon the most likely outcome of claims however there exists significant uncertainty over the amounts and timings of such costs. This provision is expected to be utilised within the next five years (2022: five years).

The Group carries professional indemnity insurance, and no separate disclosure is made of the detail of claims covered by insurance. Where it is virtually certain that the Group will recover any payments to be made for such professional liability claims, these amounts are recognised as 'insurance reimbursement receivable' assets and are included within Trade and other receivables (Note 14). At 31 May 2023 this balance was £58m (2022: £ nil).

Notes to the Financial Statements

For the year ended 31 May 2023

17. Provisions (continued)

Former and current members' annuities

Annuities payable to former and current members are unfunded and are calculated by reference to the annual inflation rate. In the case of retirement annuities, the payment of such annuities is generally conditional on the future generation of profits in any year and 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 the Group's obligation and is payable over a number of years with £267 million (2022: £251 million) expected to be payable between 1 to 5 years, £265 million (2022: £283 million) between 5 to 10 years, £218 million (2022: £258 million) between 10 and 15 years and £422 million (2022: £652million) payable after 15 years

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

Percentage	2023	2022
Discount rate[1]	5.3	3.6
Inflation rate	3.2	3.5

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

The assumed discount rate, inflation rate and future profitability of the Group and LLP have a significant effect on the annuities provision. At 31 May 2023, the total provision of £1,172 million (2022: £1,444 million) decreased by £272 million primarily as a result of the combined effects of a change in the discount rate and an increase in assumed future profitability. The table below shows the sensitivity of the annuities provision at 31 May 2023 to changes in these assumptions (while keeping all other assumptions constant).

Assumptions	Change in assumptions	£' million (Decrease)/Increase
Discount rate	Increase by 1.00%	(130)
	Decrease by 1.00%	159
Inflation rate	Increase by 0.25%	10
	Decrease by 0.25%	(11)
Long-term assumptions for annual increase in profit	Increase by 0.25%	24
	Increase by 0.50%	48

The post retirement mortality of the members is assumed to be in line with Self-Administered Pension Scheme (S3) 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') 2022 improvements with a long-term rate of 1.25%. The assumed life expectancies on retirement at age 60 are:

	2023	2022
Retiring today:		
Males	27	27
Females	29	29
Retiring in 20 years:		
Males	28	29
Females	30	31

Notes to the Financial Statements

For the year ended 31 May 2023

18. Members' interests

Group

£'million	Members' capital	Members' others reserves	Amounts due to/(from) members	Total
Balance at 1 June 2021	116	(775)	(27)	(686)
Profit for the year	-	769	-	769
Other comprehensive income for the year	-	68	-	68
	116	62	(27)	151
Operating profit allocated to members[1]	-	(592)	592	-
Capital contributions by members	164	-	-	164
Repayment of capital	(14)	-	-	(14)
Payments to members	-	-	(630)	(630)
Transfer out – Retired members' balances (net)[2]	-	-	(17)	(17)
Deemed distribution to parent	-	(1)	-	(1)
Balance at 1 June 2022	266	(531)	(82)	(347)
Profit for the year	-	940	-	940
Other comprehensive income for the year	-	13	-	13
	266	422	(82)	606
Operating profit allocated to members[1]	-	(650)	650	-
Capital profit distributable to members (Note 21)	-	-	38	38
Capital contributions by members	32	-	-	32
Repayment of capital	(14)	-	-	(14)
Payments to members	-	-	(658)	(658)
Transfer out – Retired members' balances (net)[2]	-	-	(2)	(2)
Deemed distribution to parent	-	(2)	-	(2)
Balance at 31 May 2023	284	(230)	(54)	-

1 The unit allocation is completed after the year end, and accordingly there was no discretionary allocation of the 31 May 2022 and 2023 profits among members. As a result, those profits are included within members other reserves which represents the balance of profits available for future discretionary division among members as at 31 May 2022 and 2023. Amounts becoming due to members as a result of equity participation rights following a discretionary division of profits are reflected in the statement of changes in equity in the year in which the division occurs.

2 Balances above have been transferred out of 'Amounts due to/from members' to 'Other debtors' and 'Other creditors'.

Notes to the Financial Statements

For the year ended 31 May 2023

18. Members' interests (continued)

LLP

£'million	Members' capital	Members' other reserves	Amounts due to/(from) members	Total
Balance at 1 June 2021	116	(919)	(27)	(830)
Profit for the year	-	817	-	817
Other comprehensive income for the year	-	(3)	-	(3)
	116	(105)	(27)	(16)
Operating profit allocated to members[1]	-	(592)	592	-
Capital contributions by members	164			164
Repayment of capital	(14)	-	-	(14)
Payments to members	-	-	(630)	(630)
Transfer out – Retired members' balances (net)[1]	-	-	(17)	(17)
Deemed distribution to parent	-	(1)	-	(1)
Balance at 1 June 2022	266	(698)	(82)	(514)
Profit for the year	-	827	-	827
Other comprehensive income for the year	-	(2)	-	(2)
	266	127	(82)	311
Operating profit allocated to members[1]	-	(650)	650	-
Capital profit distributable to members	-	-	38	38
Capital contributions by members	32	-	-	32
Repayment of capital	(14)	-	-	(14)
Payments to members	-	-	(658)	(658)
Transfer out – Retired members' balances (net)[2]	-	-	(2)	(2)
Deemed distribution to parent	-	(2)	-	(2)
Balance at 31 May 2023	284	(525)	(54)	(295)

1 The unit allocation is completed after the year end, and accordingly there was no discretionary allocation of the 31 May 2022 and 2023 profits among members. As a result, those profits are included within members' other reserves' which represents the balance of profits available for future discretionary division among members as at 31 May 2022 and 2023. Amounts becoming due to members as a result of equity participation rights following a discretionary division of profits are reflected in the statement of changes in equity in the year in which the division occurs.

2 Balances above have been transferred out of 'Amounts due to/from members' to 'Other receivables' and 'Other payables'.

Notes to the Financial Statements

For the year ended 31 May 2023

18. Members' interests (continued)

Group and LLP

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

£'million	Members' capital	Amounts due from members	Amounts due to members
2022			
Non-Current	256	-	-
Current	10	(82)	-
Balance at 31 May 2022	266	(82)	-
2023			
Non-Current	274	-	-
Current	10	(58)	4
Balance at 31 May 2023	284	(58)	4

Members' capital is classified as a financial liability, because it is repayable when a member leaves the Group. The negative members' interests arise as a result of the members' distributable profit being determined by the Group's management accounts, which are based on different accounting policies to these financial statements.

The most significant difference between these financial statements and the Group's management accounts relates to the provision of former and current member annuities of £770 million (2022: £903 million) and £402 million (2022: £541 million) respectively. The payment of this annuity, which at the balance sheet date estimates at £1,172 million (2022: £1,444 million), is conditional on the future generation of profits and is payable over a number of years with £267 million (2022: £251 million) expected to be payable between 1 to 5 years, £265 million (2022: £283 million) between 5 to 10 years, £218 million (2022: £258 million) between 10 and 15 years and £422 million (2022: £652million) payable after 15 years.

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

The Group's distributable profits are allocated according to members' units. The unit allocation is completed after the year-end and accordingly, there was no automatic allocation of profits among the members at 31 May 2023. As a result, the balance of profit available for division among the members as at 31 May 2023 is included in members' other reserves.

19. Retirement benefit schemes

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

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Contributions to defined contribution scheme (Note 4)	231	188	147	122
Past and present service cost for defined benefit pension schemes and net interest cost	26	30	-	-
	257	218	147	122

Defined contribution schemes

The Group'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 the Group. 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 the Group's saving of its National Insurance contribution. This is paid into the DPP in addition to the employer contributions. Employees can opt out of the SMART pensions' arrangement of the DPP.

As at 31 May 2023, the DPP scheme had 23,564 members (2022: 21,078), of which 15,881 members (2022: 14,137) related to employees of the LLP. At 31 May 2023, the Group and LLP had £20 million and £13 million (2022: £nil) contributions payable to the DPP respectively.

Defined benefit schemes

In the UK, via the Deloitte LLP entity, the Group 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 'UK Scheme'). There were no changes to the benefits provided to the members.

The UK Scheme was closed to future accrual for remaining active members with effect from 31 January 2013. Under the UK 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 UK Scheme is a funded scheme, with the UK Scheme assets held separately under trust to meet the long-term pension liabilities for past members. The Trustee of the UK Scheme is required by law to act in the interest of all of the beneficiaries of the UK Scheme and is responsible for the investment policy with regard to the UK Scheme assets and for determining the contribution by Deloitte LLP to the UK Scheme.

In Switzerland, current pension arrangements are made through a fund operated by Basler Leben AG (the 'Swiss Scheme', and when taken together with the UK Scheme, the 'Schemes'). Under the Swiss Scheme, the final benefit is contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Group's Swiss Scheme is treated as a defined benefit scheme for the purposes of these financial statements, although the Swiss Scheme has many of the characteristics of a defined contribution plan. In circumstances where an under-funding arises, this may be remedied by various measures such as increasing employee and Group contributions, lowering interest rates on retirement savings, or reducing prospective benefits.

Notes to the Financial Statements

For the year ended 31 May 2023

19. Retirement benefit schemes (continued)

Scheme risks

The Schemes expose the Group to risks such as investment risk, interest rate risk and longevity risk.

Investment risk

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

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

The Trustees of the Schemes continue to review the investment strategy on a regular basis.

Interest rate risk

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

Longevity risk

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

Assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	2023		2022	
Percentage	UK	Swiss	UK	Swiss
Discount rate	5.3	1.9	3.6	1.7
Inflation (RPI)	3.2	-	3.5	-
Inflation (CPI)	2.5	-	2.8	-
Interest Credit on Retirement Savings	-	1.0	-	1.0
Social Security Increase	-	2.0	-	1.0
Expected increase in pension payments				
RPI subject to a maximum of 5.0 % pa	3.0	-	3.3	-
RPI subject to a maximum of 4.0% pa	2.8	-	3.1	-
RPI subject to a maximum of 2.5% pa	2.0	-	2.3	-
Expected salary increase rate	-	2.4	-	1.4

For the UK Scheme, the mortality of the Scheme members is assumed to be in line with SAPS (S3) light birth year tables with scaling factors for each member class as determined by the Actuary's Longevity Model with CMI 2022 improvements with a long-term rate of 1.25%. For the Swiss Scheme, the mortality of the Scheme members is assumed to be in line with the BVG 2020 generational tables.

Notes to the Financial Statements

For the year ended 31 May 2023

19. Retirement benefit schemes (continued)

The assumed life expectancy following retirement at age 65 for the UK Scheme members are as follows:

	2023	2022
Retiring today:		
Males	22	23
Females	24	25
Retiring in 20 years:		
Males	23	24
Females	25	26

Sensitivity analysis for each significant actuarial assumption

The analysis below shows the sensitivity of the value of the UK Scheme to reasonably possible changes in discount rate, inflation rate and life expectancy assumptions occurring at the balance sheet date, while holding all other assumptions constant:

Assumptions	Change in assumptions	£' million (Decrease)/Increase
Discount rate	Increase by 1.00%	(66)
	Decrease by 1.00%	79
Inflation rate	Increase by 0.25%	9
	Decrease by 0.25%	(13)
Life expectancy	Increase by 1 year	22
	Decrease by 1 year	(22)

The analysis below shows the sensitivity of the value of the Swiss Scheme to reasonably possible changes in the below assumptions occurring at the balance sheet date, while holding all other assumptions constant:

Assumptions	Change in assumptions	£' million (Decrease)/Increase
Discount rate	Increase by 0.25%	(8)
	Decrease by 0.25%	9
Expected salary increase rate	Increase by 0.25%	1
	Decrease by 0.25%	(1)

Notes to the Financial Statements

For the year ended 31 May 2023

19. Retirement benefit schemes (continued)

Amounts recognised in the Income Statement

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

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Operating expenses – Current and past service cost	26	30	-	-
Finance costs – Minimum funding requirement	5	3	5	3
Finance costs – Net interest income	(5)	(3)	(5)	(3)
	26	30	-	-

Amounts recognised in the Statement of Comprehensive Income

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

Group £'million	2023 UK	2023 Swiss	2023 Total	2022 UK	2022 Swiss	2022 Total
Return on Scheme assets (excluding amounts included in the net interest cost)	207	7	214	134	5	139
Actuarial losses/(gains) arising from changes in demographic assumptions	(23)	(24)	(47)	8	-	8
Actuarial (gains)/losses arising from changes in financial assumptions	(180)	(1)	(181)	(187)	(65)	(252)
Actuarial losses/(gains) arising from changes in experience assumptions	37	(1)	36	26	(2)	24
Re-measurements of defined benefit pension schemes	41	(19)	22	(19)	(62)	(81)
Effect of minimum funding requirement (excluding amounts included in the net interest cost)	(41)	11	(30)	21	-	21
	-	(8)	(8)	2	(62)	(60)

Funded status and Scheme assets

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

Group		2023			2022	
£'million	UK	Swiss	Total	UK	Swiss	Total
Fair value of Scheme assets	803	418	1,221	1,025	356	1,381
Present value of Scheme obligations	(680)	(411)	(1,091)	(865)	(379)	(1,244)
Funded status	123	7	130	160	(23)	137
Asset ceiling[1]	(123)	(7)	(130)	(160)	-	(160)
Additional minimum funding requirement	-	(4)	(4)	-	-	-
Net liability recognised in the balance sheet	-	(4)	(4)	-	(23)	(23)

1 As the Group does not have an unconditional right to a refund, an adjustment has been made in the amount of £130 million (2022: £160 million) representing the funded status that cannot be recovered.

19.Retirement benefit schemes (continued)

Movement in Scheme assets

The movements in the Schemes' assets were as follows:

Group	2023			2022		
£'million	UK	Swiss	Total	UK	Swiss	Total
Fair value of Scheme assets at 1 June	1,025	356	1,381	1,099	309	1,408
Interest income	35	6	41	23	-	23
Re-measurement (loss)/gains: Return on Scheme assets (excluding amounts included in net interest cost)	(207)	(7)	(214)	(134)	(5)	(139)
Group contributions	-	39	39	78	31	109
Contributions from employees	-	22	22	-	18	18
Benefits paid	(50)	(27)	(77)	(41)	(15)	(56)
Exchange movement	-	29	29	-	18	18
Fair value of Scheme assets at 31 May	803	418	1,221	1,025	356	1,381

Allocation and market value of Scheme assets

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

Group		2023			2022		
£'million		UK	Swiss	Total	UK	Swiss	Total
Corporate bonds	Quoted	414	-	414	491	-	491
Absolute Return Bond Fund	Quoted	-	-	-	89	-	89
Leverage liability hedging portfolio	Quoted	194	-	194	260	-	260
UK property	Quoted	52	-	52	60	-	60
Money market	Quoted	11	-	11	25	-	25
Debt	Unquoted	52	-	52	32	-	32
Infrastructure	Unquoted	69	-	69	60	-	60
Insured annuities	Unquoted	2	418	420	3	356	359
Other net assets	Unquoted	-	-	-	5	-	5
Cash at bank		9	-	9	-	-	-
		803	418	1,221	1,025	356	1,381

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For the year ended 31 May 2023

19. Retirement benefit schemes (continued)

Scheme obligations

The changes in defined benefit obligations were as follows:

Group

Group £'million	2023			2022		
	UK	Swiss	Total	UK	Swiss	Total
Present value of defined benefit obligations at 1 June	865	379	1,244	1,039	393	1,432
Current service cost	-	28	28	-	30	30
Interest cost	30	6	36	20	1	21
Contributions from employees	-	22	22	-	18	18
Remeasurement losses/(gains):						
Changes in demographic	(22)	(24)	(46)	8	-	8
Changes in financial assumptions	(180)	(1)	(181)	(187)	(65)	(252)
Experience adjustments on defined benefit	37	(1)	36	26	(2)	24
Past service cost (including curtailments)	-	(2)	(2)	-	-	-
Benefits paid	(50)	(27)	(77)	(41)	(15)	(56)
Exchange movement	-	31	31	-	19	19
Present value of defined benefit obligation at 31 May	680	411	1,091	865	379	1,244

Maturity profile of the defined benefit obligation

The average duration of the UK Scheme at the end of the reporting period is 12 years (2022: 15 years). This number can be subdivided into the duration related to:

- deferred members: 13 years (2022: 17 years); and
- former members: 9 years (2022: 11 years).

The average duration of the Swiss Scheme at the end of the reporting period is 8.8 years (2022: 9.9 years).

Funding arrangement – the Scheme

During the financial year ended 31 May 2022, the Group paid in full the amounts agreed with the Trustee to fully fund the UK Scheme on a low-risk basis. Consequently, the Group is no longer required to make future contributions into the UK Scheme subject to the conclusions of the next actuarial valuation which will be based on the 31 March 2023 funded position.

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

Expected contributions to the Schemes for the next annual reporting period

Group and LLP

Given the fully funded position of the UK Scheme, the Group and LLP does not expect to make any contributions to the UK Scheme in the next financial year. A contribution of £41 million (CHF 45 million) will be made by the Group in respect of the Swiss Scheme.

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20.Financial instruments

Capital and financial risk management

The Group 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 Group's funding strategy is periodically reviewed to ensure the optimal mix of the sources of capital.

The Group's capital comprises of and is financed by, principally members' capital, undistributed profits and borrowings. See Notes 16 and 18. The Group holds financial instruments in order to finance its operations and manage foreign currency risks arising from its operations and sources of finance.

The Group's capital structure and treasury policies are regularly reviewed by the Group's Executive to ensure they remain relevant to the business and its plans for growth. The Group aims to minimise the level of short-term borrowing, and this is achieved through the active management and targeting of customer receivables, amounts due from DTTL network firms and amounts to be billed to customers. A number of entities within the Group are regulated by the Financial Conduct Authority and, as such, are subject to certain regulatory capital requirements. These requirements were met throughout the year.

Notes to the Financial Statements

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20. Financial instruments (continued)

The principal financial instruments held by the Group are summarised in the tables below by measurement category. Such instruments give rise to liquidity, counterparty 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:

Group

£'million	Carrying value				
	Assets at amortised cost	FVTPL – derivatives designated in hedge relationships	FVTOCI – designated	Liabilities at amortised cost	Fair value
Year ended 31 May 2023					
Assets					
Derivative financial instruments	-	23	-	-	23
Trade and other receivables [1]	1,723	-	-	-	1,723
Amounts due from members	58	-	-	-	58
Cash and bank balances	573	-	-	-	573
Other non-current assets	33	-	43	-	76
Liabilities					
Trade and other payables [2]	-	-	-	397	397
Amounts due to members	-	-	-	4	4
Borrowings	-	-	-	113	113
Lease liabilities	-	-	-	668	668
Members' capital	-	-	-	284	284
Year ended 31 May 2022					
Assets					
Derivative financial instruments	-	21	-	-	21
Trade and other receivables[1]	1,577	-	-	-	1,577
Amounts due from members	82	-	-	-	82
Cash and bank balances	608	-	-	-	608
Other non-current assets	38	-	43	-	81
Liabilities					
Trade and other payables[2]	-	-	-	364	364
Borrowings	-	-	-	112	112
Lease liabilities	-	-	-	690	690
Members' capital	-	-	-	266	266

[1] *Trade and other receivables in the balance sheet include prepayments and other receivables, 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, corporation tax and certain accruals, which are not financial liabilities and hence excluded from the tables above.*

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

LLP

£'million	Carrying value				
	Assets at amortised cost	FVTPL – derivatives designated in hedge relationships	FVTOCI – designated	Liabilities at amortised cost	Fair value
Year ended 31 May 2023					
Assets					
Derivative financial instruments	-	23	-	-	23
Trade and other receivables [1]	1,288	-	-	-	1,288
Amounts due from members	58	-	-	-	58
Cash and bank balances	445	-	-	-	445
Other non-current assets	15	-	40	-	55
Liabilities					
Trade and other payables [2]	-	-	-	284	284
Amounts due to members	-	-	-	4	4
Borrowings	-	-	-	113	113
Lease liabilities	-	-	-	616	616
Members' capital	-	-	-	284	284
Year ended 31 May 2022					
Assets					
Derivative financial instruments	-	21	-	-	21
Trade and other receivables[1]	1,287	-	-	-	1287
Amounts due from members	82	-	-	-	82
Cash and bank balances	432	-	-	-	432
Other non-current assets	22	-	40	-	62
Liabilities					
Trade and other payables[2]	-	-	-	270	270
Borrowings	-	-	-	110	110
Lease liabilities	-	-	-	633	633
Members' capital	-	-	-	266	266

[1] *Trade and other receivables in the balance sheet include prepayments and other receivables, 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, corporation tax and certain accruals, which are not financial liabilities and hence excluded from the tables above.*

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

Fair value measurement

The Group'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 counterparty 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 the Group's strategy of holding these investments for long-term purposes. The fair value of such investments as at 31 May 2023 for the Group and LLP is £43 million (2022: £43 million) and £40 million (2022: £40 million) respectively (Note 13). The fair values of such 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 some of these equity instruments that would be transferred to market participants, the Group has determined that the fair value of such equity instruments 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 22, a discounted cash flow valuation methodology was used to derive the fair value.

There was no transfer of cumulative gain or loss within equity during the years ended 31 May 2023 and 2022 related to such investments. No equity investment measured at FVTOCI has been de-recognised during the period.

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 counterparty 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 'Fair Value Measurement', due to the unobservable inputs. There were no transfers between Level 1, 2 and 3 in the years ended 31 May 2023 and 2022.

Financial risk management objectives

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

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

Liquidity risk

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

The Group's financing requirements vary during the year, partly as a result of payments to and on behalf of members and partly as a result of other major payments such as leasehold improvements. See Note 16 for details of the Group's borrowings, including available facilities.

Contractual maturity

The following tables detail the Group'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 the Group can 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 based on the gross undiscounted outflows on the derivatives as they require gross settlement.

Members' capital is included in the earliest time band in which the Group can be required to pay the amount.
Based on expectations at the end of the reporting period, the Group 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.

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

Group

£'million	Gross Contractual cash flows	Within one year	2-5 years	5-10 years	More than 10 years
Year ended 31 May 2023					
Non-derivative financial liabilities					
Accruals	189	189	-	-	-
Trade payables	29	29	-	-	-
Due to DTTL network firms	86	86	-	-	-
Other payables	93	93	-	-	-
Lease liabilities	748	82	251	262	153
Bank loans	-	-	-	-	-
Private Placement Loan Notes	113	113	-	-	-
Members' capital	284	10	274	-	-
	1,542	602	525	262	153
Year ended 31 May 2022					
Non-derivative financial liabilities					
Accruals	159	159	-	-	-
Trade payables	35	35	-	-	-
Due to DTTL network firms	87	87	-	-	-
Other payables	83	83	-	-	-
Lease liabilities	782	80	251	252	199
Bank loans	2	2	-	-	-
Private Placement Loan Notes	122	5	117	-	-
Members' capital	266	10	256	-	-
	1,536	461	624	255	199

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

LLP

£'million	Gross Contractual cash flows	Within one year	2-5 years	5-10 years	More than 10 years
Year ended 31 May 2023					
Non-derivative financial liabilities					
Accruals	138	138	-	-	-
Trade payables	22	22	-	-	-
Due to DTTL network firms	51	51	-	-	-
Other payables	73	73	-	-	-
Lease liabilities	700	73	227	249	151
Private Placement Loan Notes	113	113	-	-	-
Members' capital	284	10	274	-	-
	1,381	480	501	249	151
Year ended 31 May 2022					
Non-derivative financial liabilities					
Accruals	113	113	-	-	-
Trade payables	23	23	-	-	-
Due to DTTL network firms	59	59	-	-	-
Amounts owed to Group undertakings	4	4	-	-	-
Other payables	71	71	-	-	-
Lease liabilities	727	70	225	238	194
Private Placement Loan Notes	122	5	117	-	-
Members' capital	266	10	256	-	-
	1,385	355	598	238	194

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

Counterparty credit risk

Cash deposits and other financial instruments with banks and financial institutions give rise to counterparty credit risk. As a means of mitigating the risk of financial loss from defaults, the Group has adopted a policy of only dealing with creditworthy counterparties and limiting the aggregate amount and duration of exposure to any one counterparty based on counterparty credit ratings. For banks and financial institutions, only independently rated counterparties with a minimum rating of ‘A3/A’ are accepted. The Group’s other significant credit risk relates to customer receivables. Refer to Note 14.

Customer receivables are spread across diverse industries and the Group does not have any significant credit risk exposure to any single industry, counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Credit risk for new and existing customers are assessed as part of the Group’s 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 the Group arises from variable interest rate borrowings and any material cash balances. Interest rates fluctuate over time and the Group accepts this risk and does not consider it to be material. A reasonable change in the interest rate would have an immaterial impact on pre-tax profits and equity of the Group.

Foreign currency risk

The Group’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 the Group are to the US dollar, Euro and Swiss franc. The Group 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 2023, the Group has $240 million (2022: $240 million) of US dollar and €50 million (2022: €130 million) of euro foreign exchange swap contracts to economically manage exposure to foreign exchange risk arising from receivables and payables. The foreign exchange swaps are subject to the same risk management policies as all other derivative contracts. In the current year, net foreign exchange losses of £4 million (2022: net loss of £18 million) were recognised in the income statement (within ‘other operating expenses’) in respect of the foreign currency exchange swap contracts and foreign currency forwards.

The Group’s Series B Notes are denominated in US dollars. The Group has managed the associated foreign currency risk through a cross-currency swap, the terms of which are identical to the loan notes received. The Group 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. The Group 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 2023 was £2 million (2022: £1 million) in relation to the cross-currency swaps.

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

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

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Euro	128	98	71	52
US dollar	225	300	(108)	40
Swiss franc	6	3	40	35
Other	23	10	51	30
	382	411	54	157

Foreign currency sensitivity analysis

The following tables detail the Group and LLP's sensitivity to a 10% decrease in the sterling amount against the relevant foreign currencies. 10% 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 the next twelve months in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items (including derivative instruments) 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	Group 2023	Group 2022	LLP 2023	LLP 2022
Impact on profit				
Euro currency impact	12	10	7	5
US dollar currency impact	23	30	(10)	4
Swiss franc currency impact	1	-	4	3
Other foreign currency impact	2	1	5	3
	38	41	6	15

Notes to the Financial Statements

For the year ended 31 May 2023

20. Financial instruments (continued)

Cross-currency swaps

As noted above, the Group and LLP utilise cross-currency swaps and forward foreign exchange contracts to manage its exposure to fluctuations in exchange rates. At 31 May 2023, the Group and LLP had cross-currency swaps in place relating to the Series B Notes, whereby the Group and LLP receive 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 (2022: £79 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.

Principal value	Notional exchange Rate	Maturity date	Average contract fixed interest rate		Notional principal value		Fair value		Change in fair value used for calculating hedge ineffectiveness	
			2023	2022	2023	2022	2023	2022	2023	2022
$'million	£/US$		%	%	£m	£m	£m	£m	£m	£m
US$96	1/1.6	10 October 2023	4.2	4.2	60	60	18	16	2	8
US$30	1/1.6	10 October 2023	4.2	4.2	19	19	5	5	1	2
					79	79	23	21	3	10

Hedged item	Change in fair value used for calculating hedge ineffectiveness		Balance accumulated in equity for continuing hedges	
£'million	2023	2022	2023	2022
Notes	3	10	-	(1)

The interest and principal payments will be continued 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 the Group in relation to the cash flow hedge is as shown below:

	Change in fair value used for calculating hedge ineffectiveness	
£'million	2023	2022
Balance at the beginning of the year	-	(1)
(Gain)/loss arising on changes in fair value of cross-currency swap	(3)	(11)
Amounts reclassified to profit and loss	3	12
Balance at the end of the year	-	-

The contractual cash flows of the cross-currency swaps, for the both the Group and the LLP, are shown in the table below:

£'million	31 May 2023 Within one year	31 May 2022 Within one year	31 May 2022 Within 2- 5 years
Cross-currency swaps – Payment	80	3	80
Cross-currency swaps – Receipt	(104)	(5)	(117)

Notes to the Financial Statements

For the year ended 31 May 2023

21. Sale of the pension advisory practice

In January 2023, the Group entered into a sale agreement to dispose of 100% of its shareholding in Deloitte Total Reward and Benefits Limited together with its subsidiary, which carried out all of the Group's pension administration and advisory operations. The disposal was completed on 26 May 2023.

The consideration due to the Group as a result of the sale was £49 million. After the deduction of the net assets disposed totalling £12 million and transaction costs of £3 million, the net profit on the sale of the practice was £34 million.

In accordance with the Deloitte LLP Partnership Agreement, the profit on the disposal represented a capital profit, which must be distributed to members. The distribution of capital profits to members amounting to £38 million is determined by Deloitte LLP's management accounts which have accounting policies different to these financial statements.

22. Related party transactions

Parent undertaking and controlling party

The ultimate holding and controlling party of the LLP is Deloitte NSE LLP a limited liability partnership incorporated in the UK under the Limited Liability Partnership Act 2000. The parent undertaking of the largest group which includes the LLP and for which group accounts are prepared is Deloitte NSE LLP. The parent undertaking of the smallest such group is Deloitte LLP. The financial statements of Deloitte NSE LLP are publicly available and can be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Trading transactions

Transactions with subsidiaries of the Group, which are related parties, have been eliminated on consolidation. These transactions include management charges from the LLP and charges for the costs of services. Details of transactions between the Group, the LLP and other related parties are disclosed below. The table also includes outstanding balances at the end of each financial year.

Group	Provision of services to and income from related parties		Purchase of services from related parties		Amounts due from related parties		Amount due to related parties	
£'million	2023	2022	2023	2022	2023	2022	2023	2022
Deloitte NSE LLP	-	-	-	-	1	1	-	-
Deloitte NSE Group subsidiaries	234	149	(171)	(157)	60	73	(16)	(19)
Associates of the Deloitte NSE Group	187	143	(379)	(287)	49	57	(19)	(6)
	421	292	(550)	(444)	110	131	(35)	(25)

22.Related party transactions (continued)

LLP	Provision of services to and income from related parties		Purchase of services from related parties		Amounts due from related parties		Amount due to related parties	
£'million	2023	2022	2023	2022	2023	2022	2023	2022
Subsidiaries	89	280	(28)	(26)	96	219	-	(35)
Deloitte NSE LLP	-	-	-	-	1	1	-	-
Deloitte NSE Group subsidiaries	140	91	(116)	(121)	16	20	(6)	(15)
Associates of the Deloitte NSE Group	147	113	(291)	(230)	36	46	(13)	(5)
	376	484	(435)	(377)	149	286	(19)	(55)

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.

Investment in Deloitte NSE Investments Limited

The LLP (and therefore the Group) has 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 cumulative amount subscribed to date is £20.7 million, with £3.3 million subscribed for this financial year. For the purposes of these financial statements, an amount of £2 million (2022: £1 million) was accounted for as a deemed distribution to Deloitte NSE. The remaining amount of £1.3 million (2022: £3 million) is the fair value of this equity investment included within 'Other non-current assets' on the Balance Sheet.

Transactions with Key Management Personnel

Key Management Personnel ('KMP') are those members who are responsible for planning, directing and controlling the activities of the Group and/or the LLP. 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 the Group or the LLP has been included.

Group

For the year ended 31 May 2023, KMP of the Group comprised 11 members (2022: 11 members) and their profit entitlement was £21 million (2022: £19 million). At 31 May 2023, the amount due to the KMP of the Group is nil (2022: nil) and the amount due from them is £1.1 million (2022: £1.5 million).

LLP

For the year ended 31 May 2023, KMP of the LLP comprised 9 members (2022: 9 members) and their profit entitlement was £16 million (2022: £16 million). At 31 May 2023, the amount due to the KMP of the LLP is nil (2022: nil) and the amount due from them is £1.1 million (2022: £1.4 million).

Notes to the Financial Statements

For the year ended 31 May 2023

23. Group undertakings

Subsidiary undertakings

All subsidiaries prepare financial statements to 31 May and are consolidated within these financial statements. The associated undertakings and joint operations provide management information at 31 May for the purposes of group reporting. All entities prepare financial statements under uniform accounting policies and operate principally in their country of incorporation.

Entity name	Country of incorporation	Share class	% directly held by LLP	% held by Group
Registered office: 1 New Street Square, London, EC4A 3HQ				
Brown Street Nominees Limited	England & Wales	£1 ordinary shares	-	100
Contractor Pay Limited	England & Wales	£1 ordinary shares	100	100
D&T Consulting Holdings Limited	England & Wales	£1 ordinary 'A' shares	-	100
		£1 ordinary 'B' shares	-	100
		£1 ordinary 'C' shares	-	100
D&T Pension Trustees Limited	England & Wales	£1 ordinary shares	-	100
Deloitte & Touche Advisory Limited	England & Wales	£1 ordinary shares	-	100
Deloitte & Touche Holdings Limited	England & Wales	£1 ordinary shares	100	100
Deloitte & Touche Pension Trustees Limited	England & Wales	£1 ordinary shares	-	100
Deloitte India Services Limited	England & Wales	£1 ordinary shares	-	100
Deloitte International Services Limited	England & Wales	£1 ordinary shares	-	100
Deloitte Management Services Limited	England & Wales	£1 ordinary shares	61	100
Deloitte MCS Limited	England & Wales	£1 ordinary shares	-	100
Deloitte PMP Starter A Limited	England & Wales	£1 ordinary shares	100	100
Deloitte SA Services Limited	England & Wales	£1 ordinary shares	100	100
Deloitte Services Limited	England & Wales	£1 ordinary shares	-	100
Island Trustees (Midlands) Limited	England & Wales	£1 ordinary shares	-	100
Island Trustees (Northern) Limited	England & Wales	£1 ordinary shares	-	100
Island Trustees Limited	England & Wales	£1 ordinary shares	-	100
J.G.H.T. Nominees	England & Wales	£1 ordinary shares	-	100
Market Gravity Limited	England & Wales	£0.01 ordinary shares	-	100
		£0.01 'A' ordinary shares	-	100
Monitor Company Europe	England & Wales	£1 ordinary shares	-	100
		£1 Redeemable preference 'A' shares	-	100
		£1 Redeemable preference 'C' shares	-	92
Monitor Company UK Limited	England & Wales	£1 ordinary shares	-	100
Monitor Deloitte Limited	England & Wales	£1 ordinary shares	-	100
Norstrand Trustees Limited	England & Wales	£1 ordinary shares	-	100
Spero Nominees Limited	England & Wales	£1 ordinary shares	-	100
Spero Trustee Company	England & Wales	£1 ordinary shares	-	100
Spero Trustee Company Birmingham	England & Wales	£1 ordinary shares	-	100
Spero Trustee Company Bristol Limited	England & Wales	£1 ordinary shares	-	100
Spicers Corporate Finance Limited	England & Wales	£1 ordinary shares	-	100
Stonecutter Limited	England & Wales	£1 ordinary shares	-	100
Stonecutter Nominees Limited	England & Wales	£1 ordinary shares	-	100
Stonecutter Trustees Limited	England & Wales	£1 ordinary shares	-	100

Notes to the Financial Statements

For the year ended 31 May 2023

23. Group undertakings (continued)

Subsidiary undertakings (continued)

Entity name	Country of incorporation	Share class	% directly held by LLP	% held by Group
Registered office: Hill House 1 Little New Street, London, EC4A 3TR				
Deloitte Holdings Limited[1]	England & Wales	£1 ordinary shares	-	100
Registered office: 3 Rivergate, Temple Quay, Bristol, BS1 6GD				
Island Trustees South West Limited	England & Wales	£1 ordinary shares	-	100
Registered office: Lincoln Building, 27-45 Great Victoria Street, Belfast, Northern Ireland, Northern Ireland, BT2 7SL				
Etain Limited	England & Wales	£1 ordinary 'A' shares	-	100
		£1 ordinary 'B' shares	-	100
		£1 ordinary 'C' shares	-	100
Registered office: The Old Courthouse, Athol Street, Douglas, Isle of Man, IM1 1LD				
Deloitte & Touche Services (IOM) Limited	Isle of Man	£1 ordinary shares	100	100
Registered office: Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE2 3QT				
Deloitte & Touche Management (Jersey) Limited	Jersey	£1 ordinary shares	100	100
Registered office: Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WR				
Deloitte & Touche Management (Guernsey) Limited	Guernsey	£1 ordinary shares	100	100
Registered office: Old Police Station, Units 120/3 Irish Town, GX11 1AA				
Deloitte Limited (Gibraltar)	Gibraltar	£1 ordinary 'A' shares	100	100
		£1 ordinary 'B' shares	100	100
		£1 ordinary 'C' shares	100	100
		£1 ordinary 'D' shares	100	100
Registered office: Pfingstweidstrasse 11, 8005 Zürich, Switzerland				
Deloitte AG	Switzerland	CHF 100 ordinary shares	-	100
		CHF 1,000 ordinary shares	-	100
Deloitte Consulting AG	Switzerland	CHF 1,000 ordinary shares	-	100
Registered office: 29 Earlsfort Terrace, Dublin 2, D02 AY28, Ireland				
Deloitte UK Privacy (EU Rep) Limited	Ireland	EUR 1 ordinary shares	100	100
Registered office: Box 160 69 103 22 Stockholm				
ACNE AB	Sweden	SEK 10 ordinary shares	-	100
ACNE Advertising AB	Sweden	SEK 0.10 ordinary shares	-	100
ACNE Film AB	Sweden	SEK 50 ordinary shares	-	100
ACNE Photography AB	Sweden	SEK 50 ordinary shares	-	100
Registered office: Tulegatan 15, 113 53, Stockholm, Sweden				
Deloitte MCS AB	Sweden	EUR 1 ordinary shares	-	100
Registered office: Landstrasse 123, 9495 Triesen, Liechtenstein				
Deloitte (Liechtenstein) AG	Liechtenstein	CHF 1,000 ordinary shares	-	100

1 This entity has been dissolved subsequent to 31 May 2023.

Notes to the Financial Statements

For the year ended 31 May 2023

23. Group undertakings (continued)

Entities in liquidation

The entities below are currently in voluntary strike off or liquidation:

Entity name	Country of incorporation	Share class	% directly held by LLP	% held by Group
Registered office: 1 New Street Square, London, EC4A 3HQ				
ACNE Productions Limited	England & Wales	£1 ordinary shares	-	100
Registered office: 6 Snow Hill, London, EC1A 2AY				
ClearViewIP Holdings Limited	England & Wales	£0.01 ordinary shares	100	100
ClearViewIP Limited	England & Wales	£0.01 ordinary 'A' shares	-	100
		£0.01 ordinary 'B' shares	-	100
		£0.01 ordinary 'C' shares	-	100
Deloitte CIS Limited	England & Wales	$1 ordinary shares (voting)	60	60
		$1 ordinary shares (non-voting)	60	60
Deloitte PFP 1 LLP [1]	England & Wales	Designated Member	100	100
Deloitte PFP 2 LLP [1]	England & Wales	Designated Member	100	100
Deloitte SLP Structure 1 Limited	England & Wales	£1 ordinary shares	100	100
Deloitte SLP Structure 2 Limited	England & Wales	£1 ordinary shares	100	100
Registered office: Old Police Station, Units 120/3 Irish Town, GX11 1AA				
Merchant Corporate Services Limited[2]	Gibraltar	£1 ordinary shares	-	100

1 Ownership of entity is 99.6% by Deloitte LLP. Remaining 0.4% is held by Deloitte SLP Structure 1 Limited, so Group ownership is 100%.

2 This entity has been dissolved subsequent to 31 May 2023.

Joint ventures and associates

Entity name	Country of incorporation	Share class	% directly held by LLP	% held by Group
Registered office: Hill House, 1 Little New Street, London, EC4A 3TR				
Deloitte ERDC Limited	England & Wales	£1 ordinary shares	-	37
Deloitte European Support Services Limited	England & Wales	EUR 1 ordinary shares		51
DVGES Limited [3]	England & Wales	£1 ordinary shares	63	63
Registered office: 12, Dr Annie Besant Road, Opp. Shivsagar Estate Worli Mumbai, Maharashtra, 400018 India				
Deloitte Global Financial Advisory India Private Limited	India	INR 10 ordinary shares	-	33
Registered office: Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WR				
DTME 2 LLP	Guernsey	Designated Member	-	50

3 This entity is currently in liquidation.

Deloitte.