Deloitte.

Deloitte LLP

Report to Members and Consolidated Financial Statements
for the year ended 31 May 2022

Registered No. OC303675

Contents

For the year ended 31 May 2022

Report to Members

For the year ended 31 May 2022

The 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 2022.

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'). 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') who 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 was established on 1 January 2021 and comprises a majority of Audit Non-Executives including the Chair. The AGB 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 above all on the delivery of high-quality audits in the public interest; and oversight of the policies and processes for ensuring audit partner 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 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.

Report to Members

For the year ended 31 May 2022

Governance (continued)

Deloitte NSE's governance structure consists of the Deloitte NSE Board, Deloitte NSE Executive, Geography governance bodies and Geography Executives (the Group's UK and Swiss practices are both Geographies), 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. 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 in which the Group operates are responsible for day-to-day management of their Geography, consistent execution of Deloitte NSE's strategy and development of local policies and strategies.

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.

Members' capital

The Group is financed through a combination of members' capital, undistributed profits, tax reserves 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 his or her units each financial year and is repayable following the member's retirement. Members' capital was £266 million at 31 May 2022 (2021: £116 million).

Report to Members

For the year ended 31 May 2022

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 anonymized 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, taking into account the need to maintain sufficient funds to settle members' income tax liabilities and to finance the working capital and other needs of the business. The 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 UK Executive Group and the UKOB has, at the time of approving these financial statements, a reasonable expectation that the LLP and the Group will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. 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.

Environmental and Sustainability

The Group remains committed to WorldClimate, a plan originally launched in 2021 to achieve net zero and drive responsible climate choices within the firm and beyond. To this end, the Group has set and shared ambitious goals that touch on every aspect of the firm to guide the actions its people are taking with clients, alliance partners, suppliers and other stakeholders.

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

- Reducing business travel emissions by 50% per Full Time Equivalent ('FTE') by 2030 from 2019 levels;
- Sourcing 100% renewable energy for our buildings by 2030;
- Converting 100% of our fleet to hybrid and electric vehicles by 2030; and

Report to Members

For the year ended 31 May 2022

Environmental and Sustainability (continued)

- 67% of suppliers (by emissions) will have set science-based targets by 2025.

With employees increasingly returning to offices and business travel resuming the Group's energy consumption in 2022 increased by 6% and carbon emissions rose by 65% compared to the prior year. Conversely, since tracking commenced in 2019 the Group has reduced energy consumption by 40% and carbon emissions by 33%.

At 31 May 2022, 100% of total energy consumption was zero-emissions, with 88% direct from certified renewable sources and the remainder covered by purchasing Energy Attribute Certificates and carbon credits.

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

Auditors

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

Statement on disclosure of information to auditors

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

Statement of members' responsibilities in respect of the financial statements

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

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 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. Under these regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the LLP and of the profit or loss of the Group and the LLP for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether UK adopted international accounting standards, International Financial Reporting Standards as issued by the IASB and IFRIC Interpretations have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group or the LLP will continue in business.

Report to Members

For the year ended 31 May 2022

Statement of members' responsibilities in respect of the financial statements (continued)

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Liability Partnership's transactions, 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 26 September 2022 on behalf of the UKOB by:

Richard Houston
UK Senior Partner and Chief Executive

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2022

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 2022 and of the Group's profit for the year then ended;
- the Group 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; 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 2022, 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 UK adopted international accounting standards and International Financial Reporting Standards as issued by the IASB and IFRIC Interpretations, and as regards the Limited Liability Partnership financial statements 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.

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 2022

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.

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2022

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 pages 4 to 5, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group's and 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.

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2022

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Deloitte LLP and determined the most significant laws and regulations to be:
    - Those that relate to the reporting framework (UK adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB and IFRIC Interpretations).
    - Laws and regulations relating to employee matters such as health and safety, equality, bribery and corruption practices.
    - Relevant tax compliance regulations in the jurisdictions in which the entity operates.

- We understood how Deloitte LLP is complying with the relevant legal and regulatory frameworks by making enquiries of management and those charged with governance, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, legal correspondence and correspondence received from regulatory bodies and we agreed the financial statement disclosures through to underlying supporting documentation.

- We assessed the susceptibility of the Group and Limited Liability Partnership's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers including financially linked performance targets or other pressures, opportunity, and personal or corporate motivations. We obtained an understanding of the programmes and controls that the Group and Limited Liability Partnership has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by identifying journals which met a defined criteria and corroborating these on a sample basis through to supporting documentation and management explanations and testing key areas of estimation uncertainty or judgement, for example; valuation of amounts to be billed to customers for which we sampled projects using a risk based approach and assessed the year end position on these by agreeing to related supporting evidence, and valuation of the defined benefit scheme and annuities obligations for which we consulted with external experts to gain an understanding of the estimates and judgements used and assessed the reasonableness of these in the context of our understanding of the entity and its environment.

- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent Auditor's Report to the Members of Deloitte LLP

For the year ended 31 May 2022

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: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

26 September 2022

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 2022

£'million	Notes	2022	2021
Revenue	3	4,940	4,491
Operating expenses			
Staff costs	4	(2,287)	(1,971)
Depreciation and amortisation	8, 9, 10	(126)	(151)
Other operating expenses	5	(1,687)	(1,645)
Profit on disposal of restructuring practice	21	-	184
Operating profit		840	908
Net finance expense	6	(46)	(37)
Share of profit of joint venture and associates accounted for using the equity method	11	3	5
Profit before tax and members' capital profit share		797	876
Tax expense in corporate subsidiaries	7	(28)	(32)
Profit before members' capital profit share		769	844
Members' capital profit share charged as an expense	21	-	(136)
Profit for the year		769	708
Attributable to:			
Owners of the Group		769	708
		769	708

Profit for the year of the Group is impacted by annuities for former and current members (2022: a credit of £16 million; 2021: a charge of £102 million). See Note 17.

The notes on pages 18 to 90 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2022

£'million	Notes	2022	2021
Profit for the year		769	708
Items that will not be re-classified subsequently to profit or loss:			
Re-measurements of defined benefit pension schemes	19	81	(26)
Changes in minimum funding liability	19	(21)	33
Net gains on equity securities designated at fair value through other comprehensive income	13	-	2
Items that may be re-classified subsequently to profit and loss:			
Cash flow hedge reserve	20	(1)	(1)
Exchange differences on translation of foreign operations		9	(4)
Other comprehensive income for the year		68	4
Total comprehensive income for the year		837	712
Attributable to:			
Owners of the Group		837	712
		837	712

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

The notes on pages 18 to 90 form an integral part of these financial statements.

Balance Sheets

At 31 May 2022

£'million	Notes	Group 2022	Group 2021	LLP 2022	LLP 2021
Assets					
Non-current assets					
Intangible assets	8	97	110	27	41
Property, plant and equipment	9	207	242	167	201
Right-of-use assets	10	620	637	565	579
Derivative financial instruments	20	21	11	21	11
Deferred tax assets	7	2	3	-	-
Investments in subsidiaries and associates	12	-	-	8	38
Interests in joint venture and associates	11	20	20	-	-
Other non-current assets	13	81	49	62	32
		1,048	1,072	850	902
Current assets					
Trade and other receivables	14	1,654	1,457	1,329	1,271
Amounts due from members	18	82	40	82	40
Cash and bank balances	16	608	428	432	318
		2,344	1,925	1,843	1,629
Total assets		3,392	2,997	2,693	2,531
Liabilities					
Current liabilities[1]					
Trade and other payables	15	1,298	1,093	855	780
Amounts due to members	18	-	13	-	13
Lease liabilities	10	56	70	46	60
Borrowings	16	2	1	-	212
Provisions	17	68	66	63	66
Members' capital	18	10	4	10	4
		1,434	1,247	974	1,135
Non-current liabilities[1]					
Borrowings	16	110	100	110	100
Retirement benefit obligation[1]	19	23	160	-	6
Lease liabilities	10	634	613	587	559
Provisions	17	1,466	1,540	1,464	1,538
Members' capital	18	256	112	256	112
		2,489	2,525	2,417	2,315
Total liabilities		3,923	3,772	3,391	3,450
Net liabilities attributable to members		(531)	(775)	(698)	(919)
Equity					
Members' other reserves	18	(531)	(775)	(698)	(919)
		(531)	(775)	(698)	(919)

The notes on pages 18 to 90 form an integral part of these financial statements.

Balance Sheets

At 31 May 2022

£'million	Notes	Group 2022	Group 2021	LLP 2022	LLP 2021
Supplemental information					
Members' interests					
Members' capital	18	266	116	266	116
Members' other reserves	18	(531)	(775)	(698)	(919)
Amounts due to members	18	-	13	-	13
Amounts due from members	18	(82)	(40)	(82)	(40)
Total members' interests		(347)	(686)	(514)	(830)

[1] *In the financial statements for the year ended 31 May 2021, an amount of £76m relating to the UK Pension scheme was classified as a current liability. During the current year, the assessment of this balance was reconsidered and it was concluded that a non-current classification should have been applied. Consequently the prior year comparative has been restated to classify this liability as non-current in these financial statements.*

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 2022 of £817 million (2021: £665 million).

The financial statements on pages 11 to 90 were authorised for issue and signed on 26 September 2022 on behalf of the Members of Deloitte LLP, registered number OC303675, by:

Signed on behalf of the UKOB,

Richard Houston
UK Senior Partner and Chief Executive

Donna Ward
Chief Financial Officer

Statements of Changes in Equity

At 31 May 2022

£'million	Notes	Group Members' other reserves (Note 18)	Group Non-controlling interest	Group Total equity	LLP Members' other reserves (Note 18)
Balance at 1 June 2020		(1,062)	20	(1,042)	(1,218)
Profit for the year		708	-	708	665
Other comprehensive income for the year		4	-	4	59
Total comprehensive income		712	-	712	724
Allocated profit in the year	18	(424)	-	(424)	(424)
Deemed distribution to parent	22	(1)	-	(1)	(1)
Deconsolidation of subsidiary		-	(20)	(20)	-
Transactions with owners		(425)	(20)	(445)	(425)
Balance at 31 May 2021		(775)	-	(775)	(919)
Profit for the year		769	-	769	817
Other comprehensive income for the year		68	-	68	(3)
Total comprehensive income		837	-	837	814
Allocated profit in the year	18	(592)	-	(592)	(592)
Deemed distribution to parent	22	(1)	-	(1)	(1)
Transactions with owners		(593)	-	(593)	(593)
Balance at 31 May 2022		(531)	-	(531)	(698)

The notes on pages 18 to 90 form an integral part of these financial statements.

Cash Flow Statements

For the year ended 31 May 2022

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Profit for the year	769	708	817	665
Adjustments for				
Tax expense in corporate subsidiaries	28	32	-	-
Depreciation and amortisation	126	151	110	123
Profit on disposal of business (excluding transaction costs)	-	(192)	-	(192)
Allocation of capital profits to members charged as an expense	-	136	-	136
Net increase/(release) of impairment on financial assets	4	(7)	3	1
Impairment of non-current assets	17	29	17	26
Investment income	-	-	(159)	(96)
Loss on disposal of property, plant and equipment	2	15	-	19
Net finance expense	46	37	46	51
Share of profit of joint venture and associates	(3)	(5)	-	-
(Decrease)/increase in provisions	(42)	98	(42)	95
Retirement benefit obligations	30	30	-	3
Other non-cash movements	14	21	19	17
Operating cash inflows before movements in working capital	991	1,053	811	848
(Increase)/decrease in trade and other receivables	(165)	64	(25)	62
Decrease in provisions	(66)	(70)	(68)	(68)
Decrease in retirement benefit	(109)	(80)	(8)	(50)
Increase in trade and other payables	141	50	50	82
Cash generated by operations	792	1,017	760	874
Tax paid by corporate subsidiaries	(30)	(25)	-	-
Net cash inflow from operating activities	762	992	760	874
Investing activities				
Acquisition of business (net of cash acquired)	(2)	(38)	-	(15)
Investment income received	-	-	4	-
Purchase of investments	(3)	(3)	(1)	(1)
Purchase of intangible assets	-	(5)	-	(4)
Purchase of property, plant and equipment	(25)	(34)	(23)	(12)
Cash on deconsolidation of subsidiary	-	(8)	-	-
Proceeds from sale of business	-	207	-	207
Proceeds on disposal of investments	-	1	-	-
Proceeds on disposal of property, plant and equipment	-	-	-	1
Capital repayments and profit distributions received from Associates	4	4	-	-
Issue of loans to DTTL network firms	(1)	-	(1)	-
Repayment of loans by DTTL network firms	5	4	5	4
Net cash (used in)/generated by investing activities	(22)	128	(16)	180

The notes on pages 18 to 90 form an integral part of these financial statements.

Cash Flow Statements

For the year ended 31 May 2022

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Financing activities				
Payments to members	(630)	(560)	(630)	(560)
Repayment of capital to former members	(14)	(24)	(14)	(24)
Capital contributions by members	164	5	164	5
Deemed distribution to parent	(1)	(1)	(1)	(1)
New borrowings raised	1	36	-	35
Repayment of borrowings	-	(525)	(70)	(524)
Lease settlement (payments)/proceeds	-	6	-	6
Principal element of lease payments	(74)	(64)	(64)	(52)
Interest paid	(16)	(17)	(16)	(17)
Net cash used in financing activities	(570)	(1,144)	(631)	(1,132)
Effects of exchange rate changes on cash and cash equivalents	10	-	1	-
Net increase/(decrease) in cash and cash equivalents	170	(24)	113	(78)
Cash and cash equivalents at beginning of year	428	452	318	396
	608	428	432	318
Cash and cash equivalents at the end of the year comprise:				
Cash and bank balances (Note 16)	608	428	432	318
	608	428	432	318

The notes on pages 18 to 90 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 May 2022

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 in conformity with the requirements of the Companies Act 2006, 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 2022

1. Basis of preparation (continued)

Going concern

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

At 31 May 2022, total assets of the Group were £3,392 million (2021: £2,997 million), and net liabilities attributable to members were £531 million (2021: £775 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 £1,444 million (2021: £1,501 million). The payment of such annuities is generally conditional on the future generation of profits and is payable over a number of years with £534 million (2021: £492 million) expected to be payable between 1 to 10 years, £258 million (2021: £245 million) between 10 and 15 years and £652 million (2021: £764 million) payable after 15 years. The annuity provisions are unfunded, are dependent on the future generation of profits and the annual payments are generally capped at 8% of applicable 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 £266 million (2021: £116 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 2022, the Group's net cash position was £608 million (2021: £428 million) and the Group had undrawn facilities of £766 million (2021: £917 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 its assessment of going concern, the UK Executive Group and the UKOB 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. The financial modelling shows that the Group's financial position remains manageable in all scenarios.

Consequently, the UK Executive Group and the UKOB has, at the time of approving these financial statements, a reasonable expectation that the LLP and the Group will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Financial Statements

For the year ended 31 May 2022

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 are entities controlled by the LLP.

The financial statements of the Group incorporate the financial statements of the LLP and entities controlled by the LLP. Control is achieved when the Group has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

Notes to the Financial Statements

For the year ended 31 May 2022

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 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 the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising on the retranslation of foreign operations are recognised in other comprehensive income and accumulated in equity.

Revenue

The Group generates revenue primarily by delivering professional services to clients and audited entities (referred to as 'customers' hereafter), with the types of services offered being similar within each of its businesses namely Audit & Assurance, 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
- 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.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Revenue (continued)

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
- Per transaction processed

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, 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 clients. 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 recognised when the contingency is resolved.
- Transaction related fees are priced on a "per unit" basis, such as data storage or data processing fees, and are typically recognised as the underlying transactions or usage take place, for the same reason as time and materials arrangements.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Revenue (continued)

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.

Unsatisfied performance obligations

The majority of services performed by the Group are in respect of contracts with an expected duration of 1 year or less either because the goods or services are expected to be provided within a 12 month period or because the customer and/or 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 fellow 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 state that invoices are due for settlement 30 days after the invoice date and after this date invoices are considered past due.

Contract assets

Contract assets represent revenues recognised in satisfying performance obligations where 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 revenue amount being agreed with the customer prior to amounts being billed. These amounts become unconditional when performance obligations are completed in accordance with the terms of the contract, or when the customer has agreed to the amount of final billings. These amounts are 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'. See Note 14.

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.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

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 excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The 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. 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 2022

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.

Property, plant and equipment

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

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

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
Motor vehicles	4 years

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

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

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

Impairment of tangible 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.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Impaired goodwill is never reversed.

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

Cash and cash equivalents

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

Fair value

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

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

(b) Level 2 inputs are inputs, other than quoted prices included in Level 1, that are directly or indirectly observable for the asset or liability; and

(c) Level 3 inputs are unobservable inputs for the asset or liability.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when 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) 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.

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments (continued)

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 loans and notes receivable 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 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.

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.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments (continued)

(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.

Credit impaired financial assets

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

- significant financial difficulty of the counterparty;
- it is probable that the counterparty will enter bankruptcy or other financial 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.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments (continued)

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.

Hedge accounting

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

Cross-currency swaps are designated as cash flow hedges of foreign currency risk of issued fixed rate foreign currency borrowings. No fair value or net investment hedging relationships currently exist. At the inception of the hedge relationship, 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:

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Financial instruments (continued)

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

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

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

Leases

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 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

2. Accounting policies (continued)

2.1 Significant accounting policies (continued)

Leases (continued)

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

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

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

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

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

Where 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 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 2022

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, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). With respect to professional liability claims and regulatory findings, a provision representing the cost of defending and concluding claims is made in the financial statements for all claims and regulatory proceedings where costs are likely to be incurred and can be measured reliably.

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

Retirement benefit obligations

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 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 2022

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

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

Members' capital

The capital requirements for 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.

Allocation of profits

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

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

Non-discretionary payments to members

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

Notes to the Financial Statements

For the year ended 31 May 2022

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

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

The principal judgements and key sources of estimation that could have a significant effect upon the financial results relate to the following:

Critical judgements made in relation to the Group

Revenue recognition: Identification of performance obligations

Determining the number of performance obligations in the contractual arrangements with the Group's customers sometimes involves significant judgement. Whilst the Group's contractual arrangements often contain extensive details in relation to the goods or services to be provided, in many cases these are considered to comprise a single performance obligation. Even when multiple deliverables are to be provided to a customer these are often judged to be a single performance obligation either because there is a significant 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. See Note 3 Revenue.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

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

Key sources of estimation 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 outturn on an engagement may result in a different value being determined for revenue and also a different carrying value being determined for unbilled revenue for customer work. A 5% movement in Amounts to be Billed to Customers (Group: £711 million at 31 May 2022) would result in a change in Group revenue of £36 million.

Retirement benefit obligation

The pension liabilities in respect of the UK and Swiss defined benefit schemes have been independently valued. The liabilities for the defined benefit schemes are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate, mortality and inflation. Further details of the estimates and assumptions are set out in Note 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 member annuities

The Group has used certain assumptions in determining the value of the provision for retirement annuities. The liabilities disclosed for member annuities are sensitive to movements in the future profit assumptions and the related actuarial assumptions, in particular those relating to discount rate, inflation rate and mortality. Further details of the estimates and assumptions are set out in Note 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.

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 Change in accounting policy

Implementation of IFRS Interpretations Committee agenda decision and new accounting policy

As of 1 June 2021, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing Software-as-a-Service arrangements in response to the IFRS Interpretations Committee agenda decision clarifying how IFRS Standards apply to these types of arrangements. The new accounting policy is presented below.

The impact of changing the accounting policy has resulted in the recognition of a portion of the related intangible assets as an expense (£8 million, see Note 8). Prior year numbers have not been restated because the impact is immaterial.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.3 Change in accounting policy (continued)

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 and recognise these costs in the income statement as the customisation and configuration services are received or, in certain circumstances, 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 prepayment is recognised as an asset. 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 premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets.

2.4 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 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 - effective for periods beginning on or after 1 April 2021.

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

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

- 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;
- 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; and
- 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.

Notes to the Financial Statements

For the year ended 31 May 2022

2. Accounting policies (continued)

2.5 Impact of standards issued but not yet applied by the Group (continued)

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Revenue

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

£'million	2022	2021
Audit & Assurance	826	755
Consulting	1,675	1,502
Financial Advisory	682	648
Risk Advisory	562	541
Tax & Legal	1,195	1,045
	4,940	4,491

The table below shows the Group's revenue from external clients disaggregated by managed territory.

£'million	2022	2021
United Kingdom	4,283	3,864
Switzerland	641	610
Other	16	17
	4,940	4,491

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 2022 there were no material fixed price contracts with a duration greater than a year (2021: nil).

Notes to the Financial Statements

For the year ended 31 May 2022

4. Staff costs

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

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Salaries[1]	1,864	1,643	987	905
Social security costs	205	171	120	102
Pension costs (Note 19)				
Defined contribution	188	127	122	83
Defined benefit - current and past service cost	30	30	-	3
	2,287	1,971	1,229	1,093

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

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

Number	Group 2022	Group 2021	LLP 2022	LLP 2021[1]
Members	672	691	672	691
Client facing employees	19,851	18,163	11,305	10,778
Non client facing employees	2,848	2,882	2,419	2,415
	23,371	21,736	14,396	13,884

[1] In the LLP financial statements for the year ended 31 May 2021, average employees for 2021 were overstated by 619 for Client facing employees, and 336 for Non client facing employees due to the previous inclusion of certain employees of other DTTL network firms. In these financial statements, 2021 comparatives have been restated to correct for this.

Notes to the Financial Statements

For the year ended 31 May 2022

5. Other operating expenses

Other operating expenses incurred comprise:

£'million	2022	2021
Current and former member annuities (Note 17)		
Annuities to current members		
Current year charge	36	36
Actuarial (gains)/losses	(15)	13
Annuities to former members		
Actuarial (gains)/losses	(67)	31
Total current and former member annuities	(46)	80
Expenses and sub-contractor costs on customer assignments	1,131	1,014
Impairment charges on non-current assets (Notes 8, 9, 10 & 13)	17	29
Net reversal of impairment losses on financial assets	-	(7)
Other[1]	585	529
	1,687	1,645

[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 net of research and development expenditure credits of £nil (2021: £2 million). 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	2022	2021
Audit of LLP and Group financial statements	284	248
Audit of subsidiaries' financial statements	343	342
Total audit fees	627	590
Services relating to the sale of the UK restructuring practice	-	500
Other non-audit assurance services	61	65
Total non-audit fees	61	565

6. Net finance expense

£'million	2022	2021
Finance income:		
Interest income	(1)	(4)
	(1)	(4)
Finance expense:		
Interest on bank borrowings and overdrafts	6	6
Finance charges on lease liabilities (Note 10)	11	12
Unwinding of discounts on provisions (Note 17)	30	22
Net interest expense on defined benefit pension scheme obligations (Note 19)	-	1
	47	41
Net finance expense	46	37

Notes to the Financial Statements

For the year ended 31 May 2022

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	2022	2021
Current tax on income of subsidiary entities for the financial year	26	34
Deferred tax movements	2	(2)
Tax expense in corporate subsidiaries	28	32

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

£'million	2022	2021
Profit on ordinary activities of corporate entities before tax	142	143
UK Corporation Tax at 19%	27	27
Impact of items not deductible for tax purposes	1	1
Adjustment in respect of prior periods	-	2
Effect of different tax rates across the Group	-	2
Total tax expense	28	32

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

At 31 May 2022, the corporation tax payable is £4 million (2021: £6 million) and is included within 'Trade and other payables' in the balance sheet.

The Group's deferred tax asset of £2 million (2021: £3 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 2022 have been measured at 25% where these are expected to unwind post 1 April 2023. Changes in corporation tax rates are accounted for when substantively enacted.

Notes to the Financial Statements

For the year ended 31 May 2022

8. Intangible assets

Group

£'million	Goodwill	IT software	Customer relationships, order books, brands and contracts	Total
Cost				
At 1 June 2020	51	34	33	118
Additions	23	8	12	43
Transfers from property, plant and equipment	-	1	-	1
At 31 May 2021	74	43	45	162
Change in accounting policy	-	(10)	-	(10)
At 1 June 2021	74	33	45	152
Additions	2	-	-	2
At 31 May 2022	76	33	45	154
Accumulated amortisation/impairment				
At 1 June 2020	2	20	17	39
Impairment charge	-	-	4	4
Amortisation charge	-	4	5	9
At 31 May 2021	2	24	26	52
Change in accounting policy	-	(2)	-	(2)
At 1 June 2021	2	22	26	50
Amortisation charge	-	4	3	7
At 31 May 2022	2	26	29	57
Net book value				
At 31 May 2022	74	7	16	97
At 31 May 2021	72	19	19	110

Notes to the Financial Statements

For the year ended 31 May 2022

8. Intangible assets (continued)

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.

For the purposes of impairment testing, goodwill is allocated to the CGU that is expected to benefit from the business combination in which the goodwill arose. The allocation of goodwill to each of the Group's CGUs is as follows:

£'million	2022	2021
Switzerland Consulting	17	17
UK Consulting	38	36
UK Tax & Legal	16	16
Other	3	3
	74	72

The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows based on 2 to 5 year financial forecasts. Cash flows for the periods beyond existing budgets have been extrapolated using long-term growth rates of between 2.1 to 2.7% (2021: 2.1 to 2.7%). The discount rates applied against the anticipated future cash flows are based on an estimated weighted average cost of capital of 7.8 to 8.5% (2021: 7.3 to 7.8%).

A reasonable change in key assumptions used in assessing the goodwill for impairment would not have a significant impact on the difference between value in use and the carrying value.

Notes to the Financial Statements

For the year ended 31 May 2022

8. Intangible assets (continued)

LLP

£'million	Goodwill	IT software	Customer relationships, order books, brands and contract	Total
Cost				
At 1 June 2020	5	33	14	52
Additions	14	4	-	18
Transfers from property, plant and equipment	-	1	-	1
At 31 May 2021	19	38	14	71
Change in accounting policy	-	(10)	-	(10)
At 1 June 2021	19	28	14	61
At 31 May 2022	19	28	14	61
Accumulated amortisation/impairment				
At 1 June 2020	-	19	6	25
Amortisation charge	-	3	1	4
Impairment charge	-	-	1	1
At 31 May 2021	-	22	8	30
Change in accounting policy	-	(2)	-	(2)
At 1 June 2021	-	20	8	28
Amortisation charge	-	4	2	6
At 31 May 2022	-	24	10	34
Net book value				
At 31 May 2022	19	4	4	27
At 31 May 2021	19	16	6	41

As of 1 June 2021, the Group and the LLP revised their accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements. This followed from the IFRS Interpretations Committee Agenda Decisions clarifying how IFRS Standards apply to these types of arrangements. The change in accounting policy resulted in the recognition of £8 million as an expense in the income statement, being the net book value of the intangible assets related to SaaS arrangements.

At 31 May 2022, the goodwill within the LLP reflects the business acquisitions attributable to, predominately, UK Tax & Legal.

9. Property, plant and equipment

Group

	Leasehold improvements	Computer equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Total
Cost						
At 1 June 2020[1]	299	167	83	23	48	620
Additions	1	7	-	1	25	34
Disposals	(21)	(67)	(5)	(24)	(3)	(120)
Transfers	7	12	4	-	(23)	-
Transfers to intangible assets	-	-	-	-	(1)	(1)
Deconsolidation of a subsidiary	(2)	-	-	-	(1)	(3)
Exchange differences	(9)	(3)	(5)	-	(1)	(18)
At 31 May 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
Accumulated depreciation/impairment						
At 1 June 2020[1]	141	110	53	11	-	315
Depreciation charge	22	33	7	2	-	64
Disposals	(19)	(67)	(5)	(13)	-	(104)
Deconsolidation of a subsidiary	(1)	-	-	-	-	(1)
Impairment charge	8	1	-	-	-	9
Exchange differences	(7)	(1)	(5)	-	-	(13)
At 31 May 2021	144	76	50	-	-	270
Depreciation charge	20	25	6	-	-	51
Disposals	(28)	(43)	(15)	-	-	(86)
Impairment charge (Note 10)	11	-	2	-	-	13
Exchange differences	1	(4)	-	-	-	(3)
At 31 May 2022	148	54	43	-	-	245
Net book value						
At 31 May 2022	136	35	24	-	12	207
At 31 May 2021	131	40	27	-	44	242

[1] *Cost and accumulated depreciation/impairment balances at 1 June 2020 were overstated for Computer equipment (by £58 million), Fixtures and fittings (by £6 million) and Leasehold improvements (by £3 million), due to a clerical error in the Group disclosure which involved grossing up additions associated with a business combination between cost and depreciation, rather than presenting net. As such the opening balances have been restated. These restatements have no impact on net book values at 31 May 2021 and 2022.*

Assets under construction for the Group mainly related to IT costs of £6 million and leasehold improvements of £4 million (2021: £34 million related to Zurich office).

Notes to the Financial Statements

For the year ended 31 May 2022

9. Property, plant and equipment (continued)

LLP

	Leasehold improvements	Computer equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Total
Cost						
At 1 June 2020	269	144	68	23	35	539
Additions	-	8	-	1	3	12
Disposals	(19)	(57)	(4)	(24)	(5)	(109)
Transfers	7	13	5	-	(25)	-
Transfers to intangible assets	-	-	-	-	(1)	(1)
At 31 May 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
Accumulated depreciation/impairment						
At 1 June 2020	122	94	39	10	-	265
Depreciation charge	17	29	7	2	-	55
Disposals	(17)	(57)	(3)	(12)	-	(89)
Impairment charge	8	1	-	-	-	9
At 31 May 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
Net book value						
At 31 May 2022	102	35	20	-	10	167
At 31 May 2021	127	41	26	-	7	201

Assets under construction for the LLP related to the costs of leasehold improvements of £4 million (2021: £3 million) and IT costs of £6 million (2021: £4 million).

Capital commitments relating to property, plant and equipment contracted but not provided for at 31 May 2022 amounted to £4 million (2021: £3 million) for the Group and the LLP and related principally to leasehold improvements.

Notes to the Financial Statements

For the year ended 31 May 2022

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 2020	642	12	3	657
Additions	131	3	5	139
Disposals	(10)	-	(1)	(11)
Deconsolidation of subsidiary	(3)	-	-	(3)
Remeasurement and other movements[1]	2	(2)	-	-
At 31 May 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
Accumulated depreciation/impairment				
At 1 June 2020	60	2	1	63
Depreciation charge	73	2	3	78
Deconsolidation of subsidiary	(1)	-	-	(1)
Impairment charge	15	-	-	15
Disposals	(9)	-	(1)	(10)
At 31 May 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
Net book value				
At 31 May 2022	605	9	6	620
At 31 May 2021	624	9	4	637

[1] *Other movements include lease modifications and foreign exchange movements.*

Notes to the Financial Statements

For the year ended 31 May 2022

10. Leases (continued)

LLP

£'million	Buildings	Equipment	Motor vehicles	Total
Cost				
At 1 June 2020	587	12	3	602
Additions	125	-	5	130
Disposals	(10)	-	(1)	(11)
Remeasurement and other movements[2]	(15)	(2)	-	(17)
At 31 May 2021	687	10	7	704
Additions	32	-	6	38
Disposals	(28)	-	(1)	(29)
Remeasurement and other movements[2]	9	3	-	12
At 31 May 2022	700	13	12	725
Accumulated depreciation/impairment				
At 1 June 2020	53	2	1	56
Depreciation charge	60	2	2	64
Impairment charge	15	-	-	15
Disposals	(10)	-	-	(10)
At 31 May 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
Net book value				
At 31 May 2022	554	5	6	565
At 31 May 2021	569	6	4	579

[2] *Other movements include lease modifications.*

In the year ended 31 May 2022, impairment charges were recognised for Group and LLP properties totalling £4 million in respect of right-of-use assets. These right-of-use assets, along with associated leasehold improvements and fixtures and fittings in Property, plant and equipment amounting to £13 million (Note 9), have been impaired due to decisions made during the year to exit all or part of these buildings. All impairment charges are recognised in the income statement within other operating expenses.

Notes to the Financial Statements

For the year ended 31 May 2022

10. Leases (continued)

Lease liabilities

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

Group

£'million	Buildings	Equipment	Motor vehicles	Total
At 1 June 2020	603	9	3	615
Additions	125	3	5	133
Finance charges	12	-	-	12
Payments	(71)	(2)	(3)	(76)
Remeasurements and other movements[3]	1	(2)	-	(1)
At 31 May 2021	670	8	5	683
Additions	30	2	6	38
Finance charges	11	-	-	11
Payments	(76)	(5)	(4)	(85)
Remeasurements and other movements[3]	40	3	-	43
At 31 May 2022	675	8	7	690

[3]*Other movements include lease modifications and foreign exchange movements.*

Notes to the Financial Statements

For the year ended 31 May 2022

10. Leases (continued)

LLP

£'million	Buildings	Equipment	Motor vehicles	Total
At 1 June 2020	553	9	3	565
Additions	121	-	5	126
Finance charges	12	-	-	12
Payments	(59)	(2)	(3)	(64)
Remeasurements and other movements[4]	(18)	(2)	-	(20)
At 31 May 2021	609	5	5	619
Additions	29	-	6	35
Finance charges	11	-	-	11
Payments	(67)	(4)	(4)	(75)
Remeasurements and other movements[4]	40	3	-	43
At 31 May 2022	622	4	7	633

[4]*Other movements include lease modifications.*

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Included in current liabilities	56	70	46	60
Included in non-current liabilities	634	613	587	559
	690	683	633	619

Notes to the Financial Statements

For the year ended 31 May 2022

10. Leases (continued)

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 2022, the weighted average remaining lease term is 12 years (2021: 12 years) for the Group and 13 years (2021: 13 years) for the LLP. Such lease arrangements typically include extension and termination options which are exercised in line with business need.

Amounts recognised in the income statement consists of:

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Depreciation expense on right-of-use assets	68	78	60	64
Impairment charge on right-of-use assets	4	15	4	15
Finance charges on lease liabilities	11	12	11	12
Expense relating to short-term leases	2	3	1	4

At 31 May 2022, the Group and LLP is committed to £nil (2021: £nil) for short-term leases.

The total cash outflow for leases for the Group and LLP consists of fixed payments of £85 million (2021: £76 million) and £75 million (2021: £64 million). There are no variable payments.

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

11. Interests in joint venture and associates

£'million	Group 2022	Group 2021
At 1 June	20	22
Share of profit	3	5
Capital investment	1	2
Capital repayment	(4)	(4)
Disposals	-	(1)
Impairment loss	-	(1)
Reclassification of investment	-	(3)
At 31 May	20	20

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

Notes to the Financial Statements

For the year ended 31 May 2022

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 2020	41	23	64
Disposals	-	(14)	(14)
Transfer from other non-current investments	-	8	8
At 31 May 2021	41	17	58
Subsidiary and associate undertakings placed into liquidation	(30)	(16)	(46)
Disposals	-	(1)	(1)
At 31 May 2022	11	-	11
Provision			
At 1 June 2020	2	23	25
Charge for year	1	-	1
Disposals	-	(14)	(14)
Transfer from other non-current investments	-	8	8
At 31 May 2021	3	17	20
Subsidiary and associate undertakings placed into liquidation	-	(16)	(16)
Disposals	-	(1)	(1)
At 31 May 2022	3	-	3
Net book value			
At 31 May 2022	8	-	8
At 31 May 2021	38	-	38

As discussed in Note 19, the collapse of the Pension Funding Partnership resulted in its component entities being put into liquidation during the year. Accordingly, the Group was deemed to no longer have control over these entities at 31 May 2022 resulting in their deconsolidation. This has resulted in the reclassification of the Group's equity interest in such entities to 'Other non-current assets'.

During the year, 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 was £nil (cost of £16 million with a full provision).

Notes to the Financial Statements

For the year ended 31 May 2022

13. Other non-current assets

£'million	Group Equity investments	Group Financial Assets at Amortised Cost	Group Total	LLP Equity investments	LLP Financial Assets at Amortised Cost	LLP Total
Cost						
At 1 June 2020	6	57	63	6	38	44
Additions	1	3	4	1	3	4
Revaluation	2	1	3	2	1	3
Repayment	-	(4)	(4)	-	(4)	(4)
Transfers to investment in associates	3	(8)	(5)	-	(8)	(8)
Exchange differences	-	(7)	(7)	-	(4)	(4)
At 31 May 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
Provision						
At 1 June 2020	1	9	10	1	7	8
Impairment charge	-	4	4	-	4	4
Disposals	-	(1)	(1)	-	-	-
Exchange differences	-	-	-	-	(1)	(1)
Transfers to investment in associates	-	(8)	(8)	-	(8)	(8)
At 31 May 2021	1	4	5	1	2	3
Disposals	(1)	(4)	(5)	(1)	(2)	(3)
At 31 May 2022	-	-	-	-	-	-
Net book value						
At 31 May 2022	43	38	81	40	22	62
At 31 May 2021	11	38	49	8	24	32

Equity investments include non-controlling equity investments in non-listed companies. 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. Repayment dates range between payable on demand and 2029. The carrying amounts are measured at amortised cost.

Notes to the Financial Statements

For the year ended 31 May 2022

14. Trade and other receivables

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Customer receivables	714	671	458	436
Due from DTTL network firms	122	78	63	45
Trade receivables	836	749	521	481
Amounts to be billed to customers	711	608	517	460
Amounts owed by Group undertakings	-	-	223	271
Prepayments	77	62	42	31
Other receivables	30	38	26	28
	1,654	1,457	1,329	1,271

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

Loss allowance - Group

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

Group £'million	Trade receivables 2022	Trade receivables 2021	Amounts to be billed to customers 2022	Amounts to be billed to customers 2021
At 1 June	19	27	3	5
Increase in loss allowance recognised during the year	4	12	1	-
Individually credit impaired receivables	3	5	-	-
Unused amount reversed	-	(21)	-	(2)
Receivables written off during the year as uncollectable	(4)	(4)	-	-
At 31 May	22	19	4	3

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

Group £'million	Trade Receivables: 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	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

14. Trade and other receivables (continued)

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

Group £'million	Trade Receivables 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	382	286	65	35	768	611	1,379
Expected credit loss rate	0.56%	0.98%	3.17%	6.18%		0.56%	
Collectively assessed loss allowance	(2)	(3)	(2)	(1)	(8)	(3)	(11)
Individually assessed loss allowance	-	-	-	(11)	(11)	-	(11)
Total loss allowance	(2)	(3)	(2)	(12)	(19)	(3)	(22)
Net balance	380	283	63	23	749	608	1,357

Loss allowance - LLP

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

LLP £'million	Trade receivables 2022	Trade receivables 2021	Amounts to be billed to customers 2022	Amounts to be billed to customers 2021
At 1 June	14	16	3	3
Increase in loss allowance recognised during the year	3	9	1	-
Individually credit impaired receivables	3	3	-	-
Unused amount reversed	-	(11)	-	-
Receivables written off during the year as uncollectable	(4)	(3)	-	-
At 31 May	16	14	4	3

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

LLP £'million	Trade Receivables 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	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 2022

14. Trade and other receivables (continued)

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

LLP £'million	Trade Receivables 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	241	182	46	26	495	463	958
Expected credit loss rate	0.56%	0.98%	3.17%	6.18%		0.56%	
Collectively assessed loss allowance	(1)	(2)	(1)	(2)	(6)	(3)	(9)
Individually assessed loss allowance	-	-	-	(8)	(8)	-	(8)
Total loss allowance	(1)	(2)	(1)	(10)	(14)	(3)	(17)
Net balance	240	180	45	16	481	460	941

Factoring arrangements

In the prior year, the carrying amounts of the trade receivables included amounts that were subject to a factoring arrangement under which the LLP transferred relevant receivables to the Pension Funding Partnership. LLP continued to recognise the transferred assets in their entirety because the LLP retained the credit risk due to a minimum asset value guarantee provided to the Pension Funding Partnership. The amount repayable under the factoring arrangement was presented as Borrowings. During the financial year ended 31 May 2022, the LLP purchased the factored trade receivables from the Pension Funding Partnership for a consideration of £75 million at which point the factoring arrangements ceased.

15. Trade and other payables

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Progress billings	394	332	252	219
Trade payables	35	22	23	10
Due to DTTL network firms	87	63	59	38
Amounts owed to Group undertakings	-	-	4	118
Corporation tax	4	6	-	-
Social security and other taxes	115	105	87	26
Accruals	580	511	359	337
Other	83	54	71	32
	1,298	1,093	855	780

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

Group

During the financial year ended 31 May 2022, £323 million (2021: £268 million) of the Group's £332 million (2021: £288 million) prior year recorded progress billings was recognised as revenue.

LLP

During the financial year ended 31 May 2022, £216 million (2021: £171 million) of the LLP's £219 million (2021: £176 million) prior year recorded progress billings were recognised as revenue.

Notes to the Financial Statements

For the year ended 31 May 2022

16. Cash and borrowings

Cash and bank balances comprised:

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Cash at bank	148	123	7	13
Short-term deposits	460	305	425	305
	608	428	432	318

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

Borrowings comprised:

	Group		LLP	
£'million	2022	2021	2022	2021
Secured borrowings at amortised cost				
Factoring arrangements (Note 14)	-	-	-	212
	-	-	-	212
Unsecured borrowings at amortised cost				
Private Placement Loan Notes	110	100	110	100
Bank loans	2	1	-	-
	112	101	110	100
	112	101	110	312

	Group		LLP	
£'million	2022	2021	2022	2021
Amounts due for settlement within 12 months	2	1	-	212
Amounts due for settlement after 12 months	110	100	110	100
	112	101	110	312

Notes to the Financial Statements

For the year ended 31 May 2022

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%. 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 2022, the Group had total facilities of £768 million (2021: £920 million) with leading international banks. These facilities comprised:

- revolving credit facilities totalling £715 million (2021: £849 million) of which £70 million expires on 8 May 2023 and £645 million expires on 30 September 2023;
- overdraft facilities of £51 million (2021: £69 million) which are indefinite; and
- a multi-option facility for £2 million (2021: £2 million) which expires on 31 December 2022.

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.

Bank loans represent the Group's liability under the multi-option facility. The facility carries an interest rate which is the aggregate of a contracted interest rate and a utilisation fee. The weighted average interest cost of the bank loans during the year was 3.4%. At 31 May 2022, £2 million (2021: £1 million) had been drawn down against the multi-option facility.

These facilities are considered adequate to finance variations in the Group's working capital.

Other facilities - LLP

At 31 May 2022 the LLP had total facilities of £725 million (2021: £879 million) with banks. These facilities include the revolving credit facilities totalling £715 million described above and a £10 million overdraft facility which is indefinite. At 31 May 2022, £nil (2021: £nil) had been drawn down against these facilities. These facilities are considered adequate to finance variations in the LLP's working capital.

Notes to the Financial Statements

For the year ended 31 May 2022

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 statement from financing activities.

Group £'million	Lease liabilities	Non-current borrowings	Current borrowings	Members' capital	Amounts due (from)/to members
At 1 June 2020	615	112	496	135	(33)
Lease payments	(76)	-	-	-	-
New borrowings raised	-	-	36	-	-
Repayment of borrowings	-	-	(525)	-	-
Repayment of capital to former members	-	-	-	(24)	-
Capital contributions by members	-	-	-	5	-
Payments to members	-	-	-	-	(560)
Foreign exchange movements	-	(12)	(3)	-	-
Other non-cash movements [1]	144	-	(3)	-	566
At 31 May 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)

[1] *Other non-cash movements relate to lease liabilities' movements and allocation of profit to members.*

Notes to the Financial Statements

For the year ended 31 May 2022

16. Cash and borrowings (continued)

LLP £'million	Lease liabilities	Non-current borrowings	Current borrowings	Members' capital	Amounts due (from)/to members
At 1 June 2020	565	112	686	135	(33)
Lease payments	(64)	-	-	-	-
New borrowings raised	-	-	35	-	-
Repayment of borrowings	-	-	(524)	-	-
Repayment of capital to former members	-	-	-	(24)	-
Capital contributions by members	-	-	-	5	-
Payments to members	-	-	-	-	(560)
Foreign exchange movements	-	(12)	(3)	-	-
Other non-cash movements [2]	118	-	18	-	566
At 31 May 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 [2]	89	-	(142)	-	575
At 31 May 2022	633	110	-	266	(82)

[2] *Other non-cash movements relate to lease liabilities' movements, waiver of amounts payable under the factoring arrangement (below and Note 19) and allocation of profit to members.*

At 31 May 2021, the amount repayable under the factoring agreement (Note 14) 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 (Note 19).

Notes to the Financial Statements

For the year ended 31 May 2022

17. Provisions

Group

£'million	Former member annuities	Current member annuities	Property provisions	Professional liability claims	Total
At 1 June 2020	851	586	66	48	1,551
Charge for the year	-	36	-	29	65
Additions	-	-	5	-	5
Transfer	86	(86)	-	-	-
Paid in the year	(38)	-	(2)	(30)	(70)
Unused amount released	-	-	(11)	-	(11)
Unwinding of discount (Note 6)	13	9	-	-	22
Actuarial losses	31	13	-	-	44
At 31 May 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
Income statement (credit)/charge					
2022	(49)	33	(4)	8	(12)
2021	44	58	(11)	29	120

Notes to the Financial Statements

For the year ended 31 May 2022

17. Provisions (continued)

LLP

£'million	Former member annuities	Current member annuities	Property provisions	Professional liability claims	Total
At 1 June 2020	851	586	66	47	1,550
Charge for the year	-	36	-	26	62
Additions	-	-	5	-	5
Transfer	86	(86)	-	-	-
Paid in the year	(38)	-	(2)	(28)	(68)
Unused amount released	-	-	(11)	-	(11)
Unwinding of discount	13	9	-	-	22
Actuarial losses	31	13	-	-	44
At 31 May 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	18	12	-	-	30
Actuarial gains	(67)	(15)	-	-	(82)
At 31 May 2022	903	541	49	34	1,527
Income statement charge/(credit)					
2022	(49)	33	(4)	8	(12)
2021	44	58	(11)	26	117

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Included in current liabilities	68	66	63	66
Included in non-current liabilities	1,466	1,540	1,464	1,538
	1,534	1,606	1,527	1,604

Notes to the Financial Statements

For the year ended 31 May 2022

17. Provisions (continued)

Group and LLP

Former and current members' annuities

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

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

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

Percentage	2022	2021
Discount rate [1]	3.6	2.0
Inflation rate	3.5	3.3

[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 2022, the total provision of £1,444 million (2021: £1,501 million) decreased by £57 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 2022 to changes in these assumptions.

Assumptions	Change in assumptions	£'million (Decrease)/ increase
Discount rate	Increase by 0.25%	(52)
	Decrease by 0.25%	55
Inflation rate	Increase by 0.25%	16
	Decrease by 0.25%	(16)
Long-term assumption for annual in profit	Increase by 0.25%	35
	Increase by 0.50%	70

Notes to the Financial Statements

For the year ended 31 May 2022

17. Provisions (continued)

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') 2021 improvements with a long-term rate of 1.25%. The assumed life expectancies on retirement at age 60 are:

	2022	2021
Retiring today:		
Males	27	27
Females	29	29
Retiring in 20 years:		
Males	29	29
Females	31	30

Property provisions

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

Property provisions for the Group of £52 million (2021: £58 million) are expected to be utilised by 2041 (2021: 2036).

Property provisions for the LLP of £49 million (2021: £58 million) are expected to be utilised by 2037 (2021: 2036).

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. The Group carries professional indemnity insurance and no separate disclosure is made of the detail of claims covered by insurance as to do so could seriously prejudice the position of the Group.

Notes to the Financial Statements

For the year ended 31 May 2022

18. Members' interests

Group

£'million	Members' capital	Members' other reserves	Amounts due to/(from) members)	Total
Balance at 1 June 2020	135	(1,062)	(33)	(960)
Profit for the year	-	708	-	708
Other comprehensive income for the year	-	4	-	4
	135	(350)	(33)	(248)
Operating profit allocated to members	-	(424)	424	-
Capital profit distributable to members (Note 21)	-	-	136	136
Capital contributions by members	5	-	-	5
Repayment of capital	(24)	-	-	(24)
Payments to members	-	-	(560)	(560)
Transfer out - Retired partners' balances (net)[1]	-	-	6	6
Deemed distribution to parent	-	(1)	-	(1)
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	-	(592)	592	-
Capital contributions by members	164	-	-	164
Repayment of capital	(14)	-	-	(14)
Payments to members	-	-	(630)	(630)
Transfer out - Retired partners' balances (net)[1]	-	-	(17)	(17)
Deemed distribution to parent	-	(1)	-	(1)
Balance at 31 May 2022	266	(531)	(82)	(347)

[1]*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 2022

18. Members' interests (continued)

LLP

£'million	Members' capital	Members' other reserves	Amounts due to/(from) members)	Total
Balance at 1 June 2020	135	(1,218)	(33)	(1,116)
Profit for the year	-	665	-	665
Other comprehensive income for the year	-	59	-	59
	135	(494)	(33)	(392)
Operating profit allocated to members	-	(424)	424	-
Capital profit distributable to members (Note 21)	-	-	136	136
Capital contributions by members	5	-	-	5
Repayment of capital	(24)	-	-	(24)
Payments to members	-	-	(560)	(560)
Transfer out - Retired partners' balances (net)[1]	-	-	6	6
Deemed distribution to parent	-	(1)	-	(1)
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	-	(592)	592	-
Capital contributions by members	164	-	-	164
Repayment of capital	(14)	-	-	(14)
Payments to members	-	-	(630)	(630)
Transfer out - Retired partners' balances (net)[1]	-	-	(17)	(17)
Deemed distribution to parent	-	(1)	-	(1)
Balance at 31 May 2022	266	(698)	(82)	(514)

[1]*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 2022

18. Members' interests (continued)

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

£'million	Members' capital	Amounts due from members	Amounts due to members
2021			
Non-Current	112	-	-
Current	4	(40)	13
	116	(40)	13
2022			
Non-Current	256	-	-
Current	10	(82)	-
	266	(82)	-

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 £903 million (2021: £943 million) and £541 million (2021: £558 million) respectively. The payment of this annuity liability, which totals £1,444 million (2021: £1,501 million), is conditional on the future generation of profits and is payable over a number of years with £534 million (2021: £492 million) expected to be payable between 1 to 10 years, £258 million (2021: £245 million) payable between 10 and 15 years and £652 million (2021: £764 million) 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 2022. As a result, the balance of profit available for division among the members as at 31 May 2022 is included in members' other reserves.

19. Retirement benefit schemes

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

	Group		LLP	
£'million	2022	2021	2022	2021
Contributions to defined contribution scheme (Note 4)	188	127	122	83
Past and present service cost for defined benefit pension schemes and net interest cost	30	30	-	3
Pension scheme other finance costs	-	1	-	1
	218	158	122	87

Notes to the Financial Statements

For the year ended 31 May 2022

19. Retirement benefit schemes (continued)

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 2022, the DPP scheme had 21,078 members (2021: 19,345), of which 14,137 members (2021: 13,477) related to employees of the LLP. At 31 May 2022 and 2021, the LLP had no contributions payable to the DPP.

Defined benefit schemes

In the UK, 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.

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:

	2022		2021	
Percentage	UK	Swiss	UK	Swiss
Discount rate	3.6	1.7	2.0	0.2
Inflation (RPI)	3.5	-	3.3	-
Inflation (CPI)	2.8	-	2.6	-
Interest Credit on Retirement Savings	-	1.0	-	0.5
Social Security Increase	-	1.0	-	0.9
Expected increase in pension payments				
RPI subject to a maximum of 5.0% pa	3.3	-	3.2	-
RPI subject to a maximum of 4.0% pa	3.1	-	3.0	-
RPI subject to a maximum of 2.5% pa	2.3	-	2.2	-
Expected rate increases in salaries	-	1.4	-	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 2021 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.

19. Retirement benefit schemes (continued)

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

	2022	2021
Retiring today:		
Males	23	22
Females	25	24
Retiring in 20 years:		
Males	24	24
Females	26	26

Sensitivity analysis for each significant actuarial assumption

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

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

- If the discount rate is 0.25% higher (lower), the defined benefit obligation would decrease by £28 million (increase by £27 million).
- If the inflation rate increases (decreases) by 0.25%, the defined benefit obligation would increase by £21 million (decrease by £18 million).
- If the life expectancy increases (decreases) by 1 year, the defined benefit obligation would increase by £31 million (decrease by £31 million).

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

- If the discount rate is 0.25% higher (lower), the defined benefit obligation would decrease by £9 million (increase by £10 million).
- If the inflation rate/salary rate increases (decreases) by 0.25%, the defined benefit obligation would increase by £1 million (decrease by £1 million).

Notes to the Financial Statements

For the year ended 31 May 2022

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 2022	Group 2021	LLP 2022	LLP 2021
Operating expenses - Current and past service cost	30	30	-	3
Finance costs - Minimum funding requirement	3	2	3	2
Finance costs - Net interest income	(3)	(1)	(3)	(1)
	30	31	-	4

Amounts recognised in the Statement of Comprehensive Income

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

Group	2022			2021		
£'million	UK	Swiss	Total	UK	Swiss	Total
Return on Scheme assets (excluding amounts included in the net interest cost)	134	5	139	39	(2)	37
Actuarial losses/(gains) arising from changes in demographic assumptions	8	-	8	(2)	(12)	(14)
Actuarial (gains)/losses arising from changes in financial assumptions	(187)	(65)	(252)	12	-	12
Actuarial losses/(gains) arising from changes in experience assumptions	26	(2)	24	(16)	7	(9)
Re-measurements of defined benefit pension schemes	(19)	(62)	(81)	33	(7)	26
Effect of minimum funding requirement (excluding amounts included in the net interest cost)	21	-	21	(33)	-	(33)
	2	(62)	(60)	-	(7)	(7)

Funded status and Scheme assets

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

Group	2022			2021		
£'million	UK	Swiss	Total	UK	Swiss	Total
Fair value of Scheme assets	1,025	356	1,381	1,099	309	1,408
Present value of Scheme obligations	(865)	(379)	(1,244)	(1,039)	(393)	(1,432)
Funded status	160	(23)	137	60	(84)	(24)
Additional minimum funding requirement [2]	(160)	-	(160)	(136)	-	(136)
Net liability recognised in the balance sheet	-	(23)	(23)	(76)	(84)	(160)

Notes to the Financial Statements

For the year ended 31 May 2022

19. Retirement benefit schemes (continued)

LLP £'million	2022	2021
Fair value of Scheme assets [1]	1,025	1,169
Present value of Scheme obligations	(865)	(1,039)
Funded status	160	130
Additional minimum funding requirement [2]	(160)	(136)
Net liability recognised in the balance sheet	-	(6)

[1] In the 2021 LLP balance sheet, pursuant to IFRS, the investment held by the UK Scheme in a Scottish Limited Partnership, Deloitte Scotland Limited Partnership ('SLP') of £70 million qualified as a Scheme asset and it is therefore included in the fair value of Scheme assets. See Pension Funding Partnership below.

[2] See below for further details on the Group's future funding commitment. The Group has determined that the future funding commitment would result in a projected surplus in the UK Scheme. As the Group does not have an unconditional right to a refund, an adjustment has been made for potential additional liabilities of £160 million (2021: £136 million) representing the excess of the projected present value of the committed contribution over the deficit.

Movement in Scheme assets

The movements in the Schemes' assets for Group and LLP were as follows:

Group £'million	2022 UK	 Swiss	 Total	2021 UK	 Swiss	 Total
Fair value of Scheme assets at 1 June	1,099	309	1,408	1,116	305	1,421
Interest income	23	-	23	18	1	19
Re-measurement (loss)/gains: Return on Scheme assets (excluding amounts included in net interest cost)	(134)	(5)	(139)	(39)	2	(37)
Group contributions	78	31	109	52	28	80
Contributions from employees	-	18	18	-	16	16
Benefits paid	(41)	(15)	(56)	(48)	(21)	(69)
Exchange movement	-	18	18	-	(22)	(22)
Fair value of Scheme assets at 31 May	1,025	356	1,381	1,099	309	1,408

LLP £'million	2022	2021
Fair value of Scheme assets at 1 June	1,169	1,130
Interest income	23	18
Re-measurement (loss)/gains: Return on Scheme assets (excluding amounts included in net interest cost)	(134)	19
LLP contributions	8	50
Benefits paid	(41)	(48)
Fair value of Scheme assets at 31 May	1,025	1,169

Notes to the Financial Statements

For the year ended 31 May 2022

19. Retirement benefit schemes (continued)

Allocation and market value of Scheme assets

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

Group £'million		2022 UK	2022 Swiss	2022 Total	2021 UK	2021 Swiss	2021 Total
Corporate bonds	Quoted	491	-	491	468	-	468
Absolute Return Bond Fund	Quoted	89	-	89	90	-	90
Leverage liability hedging portfolio	Quoted	260	-	260	330	-	330
UK property	Quoted	60	-	60	55	-	55
Money market	Quoted	25	-	25	10	-	10
Debt	Unquoted	32	-	32	46	-	46
Infrastructure	Unquoted	60	-	60	57	-	57
Insured annuities		3	356	359	3	309	312
Other net assets		5	-	5	40	-	40
		1,025	356	1,381	1,099	309	1,408

LLP £'million		2022	2021
Corporate bonds	Quoted	491	468
Absolute Return Bond Fund	Quoted	89	90
Leverage liability hedging portfolio	Quoted	260	330
UK property	Quoted	60	55
Money market	Quoted	25	10
Debt	Unquoted	32	46
Infrastructure	Unquoted	60	57
Pension Funding Partnership	Unquoted	-	70
Insured annuities	Unquoted	3	3
Other net assets	Unquoted	5	40
		1,025	1,169

Notes to the Financial Statements

For the year ended 31 May 2022

19. Retirement benefit schemes (continued)

Pension Funding Partnership

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

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

On 30 June 2021, the value of the UK Scheme's initial investment of £70 million was returned to the Trustee as part of the overall package to fund the Scheme to the low risk target. The Pension Funding Partnership was subsequently collapsed in March 2022.

Scheme obligations

The changes in defined benefit obligations were as follows:

Group £'million	2022 UK	Swiss	Total	2021 UK	Swiss	Other[1]	Total
Present value of defined benefit obligations at 1 June	1,039	393	1,432	1,073	403	3	1,479
Current service cost	-	30	30	-	34	-	34
Interest cost	20	1	21	17	1	-	18
Contributions from employees	-	18	18	-	16	-	16
Remeasurement losses/(gains):							
Changes in demographic	8	-	8	(2)	(12)		(14)
Changes in financial assumptions	(187)	(65)	(252)	12	-		12
Experience adjustments on defined benefit	26	(2)	24	(16)	7	-	(9)
Past service cost (including curtailments)	-	-	-	3	(7)	-	(4)
Benefits paid	(41)	(15)	(56)	(48)	(21)	-	(69)
Deconsolidation of subsidiary	-	-	-	-	-	(3)	(3)
Exchange movement	-	19	19	-	(28)	-	(28)
Present value of defined benefit obligation at 31 May	865	379	1,244	1,039	393	-	1,432

[1] *Other in 2021 is in respect of the DTME Scheme which was no longer consolidated into these financial statements from 1 June 2020.*

Notes to the Financial Statements

For the year ended 31 May 2022

19. Retirement benefit schemes (continued)

LLP £'million	2022	2021
Present value of defined benefit obligations at 1 June	1,039	1,073
Interest cost	20	17
Remeasurement (gains)/losses:		
Changes in demographic	8	(2)
Changes in financial assumptions	(187)	12
Experience adjustments on defined benefit	26	(16)
Past service cost (including curtailments)	-	3
Benefits paid	(41)	(48)
Present value of defined benefit obligation at 31 May	865	1,039

Maturity profile of the defined benefit obligation

The average duration of the UK Scheme at the end of the reporting period is 15 years (2021: 16 years). This number can be subdivided into the duration related to:

- deferred members: 17 years (2021: 18 years); and
- former members: 11 years (2021: 12 years).

The average duration of the Swiss Scheme at the end of the reporting period is 9.9 years (2021: 12.6 years).

Funding arrangement – the Scheme

During the 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 £32 million (CHF 38 million) will be made by the Group in respect of the Swiss Scheme.

Notes to the Financial Statements

For the year ended 31 May 2022

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, tax reserves 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 financial year.

Notes to the Financial Statements

For the year ended 31 May 2022

20. Financial instruments (continued)

Financial instruments

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

	Carrying value				
£'million	Assets at amortised cost	FVTPL	FVTOCI - designated	Liabilities at amortised cost	Fair value
Year ended 31 May 2021					
Assets					
Derivative financial instruments	-	11	-	-	11
Trade and other receivables [1]	1,395	-	-	-	1,395
Amounts due from members	40	-	-	-	40
Cash and bank balances	428	-	-	-	428
Other non-current assets	38	-	11	-	49
Liabilities					
Trade and other payables [2]	-	-	-	359	359
Amounts due to members	-	-	-	13	13
Borrowings	-	-	-	101	110
Lease liabilities	-	-	-	683	683
Members' capital	-	-	-	116	116
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, which are not financial assets and hence excluded from the tables above.*

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

Notes to the Financial Statements

For the year ended 31 May 2022

20. Financial instruments (continued)

LLP

£'million	Carrying value Assets at amortised cost	FVTPL	FVTOCI - designated	Liabilities at amortised cost	Fair value
Year ended 31 May 2021					
Assets					
Derivative financial instruments	-	11	-	-	11
Trade and other receivables [1]	1,240	-	-	-	1,240
Amounts due from members	40	-	-	-	40
Cash and bank balances	318	-	-	-	318
Other non-current assets	24	-	8	-	32
Liabilities					
Trade and other payables [2]	-	-	-	365	365
Amounts due to members	-	-	-	13	13
Borrowings	-	-	-	312	321
Lease liabilities	-	-	-	619	619
Members' capital	-	-	-	116	116
Year ended 31 May 2022					
Assets					
Derivative financial instruments	-	21	-	-	21
Trade and other receivables [1]	1,287	-	-	-	1,287
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, which are not financial assets and hence excluded from the tables above.

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

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 2022 for the Group and LLP is £43 million (2021: £11 million) and £40 million (2021: £8 million) respectively. 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 the equity instruments that would be transferred to market participants, the Group has determined that the fair value is equal to the cost after adjustments to reflect the effect of the restriction. In respect of the equity investment made in Deloitte NSE Investments Limited ('DNSEI') disclosed in Note 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 2022 and 2021 related to such investments. There was one equity investment measured at FVTOCI that has been de-recognised during the period, which was sold for nil consideration.

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, due to the unobservable inputs. There were no transfers between Level 1, 2 and 3 in the years ended 31 May 2022 and 2021.

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.

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.

20. Financial instruments (continued)

Group

£'million	Gross Contractual cash flows	Within one year	2-5 years	More than 5 years
Year ended 31 May 2021				
Non-derivative financial liabilities				
Accruals	220	220	-	-
Trade payables	22	22	-	-
Amounts due to other member firms of the DTTL network	63	63	-	-
Other payables	54	54	-	-
Lease liabilities	756	89	248	419
Bank loans	1	1	-	-
Private Placement Loan Notes	109	4	105	-
Members' capital	116	4	112	-
Amounts due to members	13	13	-	-
Capital funding commitments	2	1	-	1
	1,356	471	465	420
Derivative financial liabilities				
Cross-currency swaps	87	3	84	-
Year ended 31 May 2022				
Non-derivative financial liabilities				
Accruals	159	159	-	-
Trade payables	35	35	-	-
Amounts due to other member firms of the DTTL network	87	87	-	-
Other payables	83	83	-	-
Lease liabilities	782	80	251	451
Bank loans	2	2	-	-
Private Placement Loan Notes	122	5	117	-
Members' capital	266	10	256	-
	1,536	461	624	451
Derivative financial liabilities				
Cross-currency swaps	83	3	80	-

Notes to the Financial Statements

For the year ended 31 May 2022

20. Financial instruments (continued)

LLP

£'million	Gross Contractual cash flows	Within one year	2-5 years	More than 5 years
Year ended 31 May 2021				
Non-derivative financial liabilities				
Accruals	167	167	-	-
Trade payables	10	10	-	-
Amounts due to other member firms of the DTTL network	38	38	-	-
Amounts due to Group undertakings	118	118	-	-
Other payables	32	32	-	-
Lease liabilities	695	80	220	395
Factoring arrangements	212	212	-	-
Private Placement Loan Notes	109	4	105	-
Members' capital	116	4	112	-
Amounts due to members	13	13	-	-
Capital funding commitments	1	-	-	1
	1,511	678	437	396
Derivative financial liabilities				
Cross-currency swaps	87	3	84	-
Year ended 31 May 2022				
Non-derivative financial liabilities				
Accruals	113	113	-	-
Trade payables	23	23	-	-
Amounts due to other member firms of the DTTL network	59	59	-	-
Amounts due to Group undertakings	4	4	-	-
Other payables	71	71	-	-
Lease liabilities	727	70	225	432
Private Placement Loan Notes	122	5	117	-
Members' capital	266	10	256	-
	1,385	355	598	432
Derivative financial liabilities				
Cross-currency swaps	83	3	80	-

Notes to the Financial Statements

For the year ended 31 May 2022

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. 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 2022, the Group has $240 million of US dollar and €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 £18 million (2021: net gain of £17 million) were recognised in the income statement 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 2022 and 2021 was less than £1 million in relation to the cross currency swaps.

Notes to the Financial Statements

For the year ended 31 May 2022

20. Financial instruments (continued)

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

£'million	Group 2022	Group 2021	LLP 2022	LLP 2021
Euro	98	132	52	90
US dollar	300	203	40	66
Swiss franc	3	1	35	(34)
Other	10	(1)	30	21
	411	335	157	143

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 2022	Group 2021	LLP 2022	LLP 2021
Impact on profit				
Euro currency impact	10	13	5	9
US dollar currency impact	30	20	4	6
Swiss franc currency impact	-	1	3	(3)
Other foreign currency impact	1	-	3	2
	41	34	15	14
Impact on equity				
US dollar currency impact	-	-	-	-

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 2022, 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 (2021: £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.

Notes to the Financial Statements

For the year ended 31 May 2022

20. Financial instruments (continued)

Principal Value	Notional exchange rate	Maturity date	Average contract fixed interest rate		Notional principal value		Fair value		Change in fair value for calculating hedge ineffectiveness	
			2022	2021	2022	2021	2022	2021	2022	2021
$'million	£/US$		%	%	£m	£m	£m	£m	£m	£m
US$96	1/1.6	10 October 2023	4.2	4.2	60	60	16	8	8	(13)
US$30	1/1.6	10 October 2023	4.2	4.2	19	19	5	3	2	(3)
US$18	1/1.6	10 October 2020	-	-	-	-	-	-	-	(3)
					79	79	21	11	10	(19)

Hedged item £'million	Change in fair value used for calculating hedge ineffectiveness 2022	2021	Balance accumulated in equity for continuing hedges 2022	2021
Notes	10	(19)	-	(1)

The interest and principal payments will continue through to the year ending 31 May 2024, over which time the amounts deferred in equity will be reclassified to profit and loss.

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

£'million	Change in fair value used for calculating hedge ineffectiveness 2022	2021
Balance at the beginning of the year	(1)	(2)
(Gain)/loss arising on changes in fair value of cross-currency swap	(11)	14
Amounts reclassified to profit and loss	12	(13)
Balance at the end of the year	-	(1)

Notes to the Financial Statements

For the year ended 31 May 2022

21. Sale of restructuring practice in prior year

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

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

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

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 as at the end of each reporting year.

Group	Provision of services to and income from related parties		Purchase of services from related parties		Amounts due from related parties		Amounts due to related parties	
£'million	2022	2021	2022	2021	2022	2021	2022	2021
Deloitte NSE LLP	-	-	-	-	1	1	-	-
Fellow subsidiaries	149	85	(157)	(94)	73	12	(19)	(16)
Associates of Group and/or parent	143	154	(287)	(216)	57	64	(6)	(9)
	292	239	(444)	(310)	131	77	(25)	(25)

Notes to the Financial Statements

For the year ended 31 May 2022

22. Related party transactions (continued)

LLP £'million	Provision of services to and income from related parties 2022	2021	Purchase of services from related parties 2022	2021	Amounts due from related parties 2022	2021	Amounts due to related parties 2022	2021
Subsidiaries	280	244	(26)	(34)	219	272	(35)	(330)
Deloitte NSE LLP	-	-	-	-	1	1	-	-
Fellow subsidiaries	91	63	(121)	(70)	20	9	(15)	(10)
Associates of LLP and/or parent	113	102	(230)	(179)	46	35	(5)	(8)
	484	409	(377)	(283)	286	317	(55)	(348)

In the year ended 31 May 2022, management reassessed its related parties, identifying additional DTTL entities as associates. These additional related parties have been reflected in the table above, including restating the comparative amounts to be on the same basis. Group: Provisions of services to associates in 2021 has increased by £105 million and Purchase of services from associates has increased by £122 million. LLP: Provisions of services to associates in 2021 has increased by £79 million and Purchase of services from associates has increased by £121 million

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

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 £15.1 million, with £2.4 million subscribed for this financial year. For the purposes of these financial statements, an amount of £1 million (2021: £1 million) was accounted for as a deemed distribution to Deloitte NSE. The remaining amount of £1.4 million (2021: £3 million) is the fair value of this equity investment.

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 2022, KMP of the Group comprised 11 members (2021: 11 members) and their profit entitlement was £19 million (2021: £18 million). At 31 May 2022, the amount due to the KMP of the Group is £nil (2021: £0.9 million) and the amount due from them is £1.5 million (2021: £0.3 million).

LLP

For the year ended 31 May 2022, KMP of the LLP comprised 9 members (2021: 9 members) and their profit entitlement was £16 million (2021: £14 million). At 31 May 2022, the amount due to the KMP of the LLP is £nil (2021: £0.7 million) and the amount due from them is £1.4 million (2021: £0.3 million).

Notes to the Financial Statements

For the year ended 31 May 2022

23. Group undertakings

Subsidiary undertakings

All subsidiaries make up accounts 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 accounts under uniform accounting policies and operate principally in their country of incorporation.

Entity name	Country on incorporation	Share class	% directly held by LLP	% held by Group
Registered office: 1 New Street Square, London, EC4A 3HQ				
ACNE Production Limited	England & Wales	£1 ordinary shares	-	100
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 Pensions Services Limited	England & Wales	£1 ordinary shares	-	100
Deloitte PMP Starter A Limited	England & Wales	£1 ordinary shares	-	100
Deloitte SA Services Limited	England & Wales	£1 ordinary shares	100	100
Deloitte Services Limited	England & Wales	£1 ordinary shares	-	100
Deloitte Total Reward & Benefits 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 2022

23. Group undertakings (continued)

Subsidiary undertakings (continued)

Entity name	Country on incorporation	Share class	% directly held by LLP	% held by Group
Registered office: Hill House 1 Little New Street, London, EC4A 3TR				
Deloitte Holdings Limited	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: Kingsway House, Havilland Street, St Peter port, Guernsey, GY1 3HW				
Deloitte CIS Nominees Limited	Guernsey		-	100
Deloitte CIS Shareholder Services Limited	Guernsey		-	100
Registered office: Glategny Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WR				
Deloitte & Touche Management (Guernsey) Limited	Guernsey		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	-	49

Notes to the Financial Statements

For the year ended 31 May 2022

23. Group undertakings (continued)

Entities in liquidation

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

Entity name	Country on incorporation	Share class	% directly held by LLP	% held by Group
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	Gibraltar	£1 ordinary shares	-	100
Registered office: Neues Kranzler Eck, Kurfürstendamm 23, Berlin, 10719, Germany				
ACNE GmbH	Germany	EUR 1 ordinary share	-	100
Registered office: C/O Wills & Murphy, 1800-1631 Dickson Avenue, Kelowna, BC V1Y 0B5, Canada				
Market Gravity Proposition Design Canada Ltd	Canada	CAD 0.01 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%.*

Joint venture and associates

Entity name	Country on 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	1 EUR ordinary shares	-	51
DVGES Limited	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

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