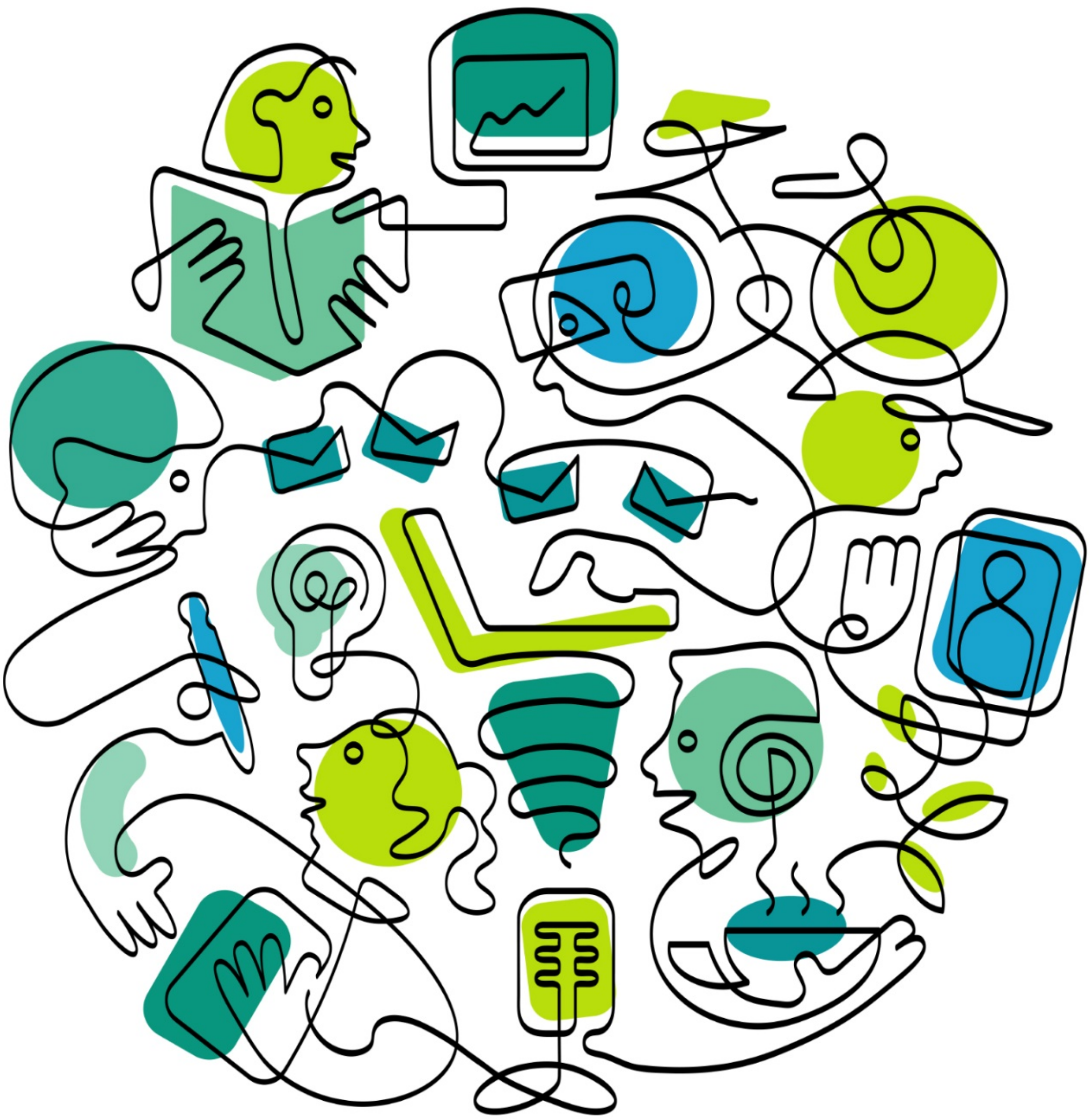
Deloitte.



Deloitte LLP

Annual financial statements for the year ended 31 May 2020

Registered No. OC303675

Contents

For the year ended 31 May 2020

Report to Members

For the year ended 31 May 2020

The Board presents its report to the members and the audited financial statements of Deloitte LLP for the year ended 31 May 2020.

Principal activities

The principal activities of Deloitte LLP are the provision of audit and assurance, financial advisory, risk advisory and tax and legal services in the United Kingdom, the Channel Islands and the Isle of Man.

Deloitte North and South Europe

With effect from 1 June 2017, Deloitte LLP (together with its subsidiaries in Switzerland and Gibraltar) became the UK affiliate of Deloitte NSE LLP ('Deloitte NSE'), a Deloitte Global member firm.

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

Governance

The governance structure of Deloitte LLP comprises:

- The UK Oversight Board – The UK Oversight Board oversees specific aspects of the management of Deloitte LLP, including audit quality, public interest, ethics and culture, people management, risk, regulatory, internal control and financial reporting matters that relate to the UK business.
- The Senior Partner and Chief Executive and the Executive Group – Deloitte LLP's activities are managed by the Senior Partner and Chief Executive and the Executive Group, who are responsible for managing all aspects of Deloitte LLP's business, including the development and delivery of services, the development of Deloitte LLP's policies and strategic direction, the management of Deloitte LLP's financial performance and the development and implementation of Deloitte LLP's talent goals.
- The Partnership Council – The Partnership Council is responsible for ensuring fairness and equity between partners and fairness in the implementation of the Deloitte NSE policies and strategies. The Partnership Council is also the body that undertakes soundings to assist in the selection of candidates for election to the Deloitte NSE Board and appointment to the roles of UK Senior Partner and Chief Executive and the Swiss Chief Executive.

Designated members

Deloitte LLP's designated members (as defined in the Limited Liability Partnerships Act 2000) during the year were: Stephen Griggs, Richard Houston, Panos Kakoullis, David Noon, Nicholas Owen, David Sproul and Donna Ward. Panos Kakoullis, David Sproul and Nicholas Owen ceased to be designated members on 31 December 2019, 31 May 2020 and 1 June 2020 respectively.

With effect from 1 June 2020, Dimple Agarwal and Matt Ellis were appointed as designated members.

Members' capital

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

Members' capital contributions totalling £135 million (2019: £136 million) are determined by the Deloitte NSE Board, with input from the UK Senior Partner and Chief Executive and the Executive Group, having regard to the working capital needs of the business. They are set by reference to an individual member's unit profit share and are repayable following the member's retirement.

Report to Members

For the year ended 31 May 2020

Members' profit shares and drawings

The allocation of profit is at the discretion of the Deloitte NSE Board in accordance with the formal partner remuneration procedures in place from time to time. Each partner shares in profit based on the proportion of units allocated to them. Equity partners' share of profits is based upon a comprehensive evaluation of their individual and team contribution to, among others, quality, risk, performance and leadership. Partner performance is evaluated in all of the competencies, beginning with the NSE Board's approval of the profit sharing strategy proposed by the Senior Partner and Chief Executive and concluding with the NSE Board's review of the recommended profit allocation and equity group for each individual partner. For the first time this year, the UK Independent Non-Executives had oversight of the audit partner remuneration process and its linkage to audit quality. An NSE Board sub-committee of partners oversees the management process with a focus on consistent and equitable treatment.

The overall practice for members' monthly drawings is to advance a proportion of the 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 CEO sets the level of members' monthly drawings, with the approval of the Deloitte NSE. Tax retentions are paid to HM Revenue & Customs on behalf of members with any excess being released to members, as appropriate. Where a member's drawings exceed the actual profit allocation during the year, the net amount due from the member is included under current assets in amounts due from members. If the profit allocation exceeds the members' drawings, the net amount is included under current liabilities within amounts due to members. This number is determined on a member-by-member basis. The amounts due to or from members that retire during the current year are classified on the same basis.

Going concern

Implications of COVID-19 on Deloitte LLP's business

The COVID-19 outbreak developed rapidly in 2020 with the UK Government imposing significant travel and transport restrictions, including mandated closures and orders to 'self-isolate' and quarantine restrictions ('lockdown measures') in March 2020 which began easing in May 2020. To date, Deloitte LLP has taken measures to protect the health and safety of staff, and has worked with clients and suppliers to minimise disruptions and support the community in addressing the challenges posed by this ongoing global pandemic.

Despite these challenges, Deloitte LLP's client service delivery has not been materially affected, with staff transitioning effectively to remote working following the lockdown. As of the date of this report, the majority of Deloitte LLP's staff continue to work remotely with a limited number of offices open with reduced capacity in each. Deloitte LLP continues to review the guidance issued by the UK government on how to safely enable more staff to return to its offices.

As a consequence of the pandemic, the growth in revenue of Deloitte LLP for the year ended 31 May 2020 has been less than planned. In response to this, together with the general macroeconomic uncertainty caused by the pandemic and broader disruption to economic activity, Deloitte LLP has carefully managed and monitored its liquidity and capital resources. Deloitte LLP has developed performance and liquidity models for a number of scenarios, including a Reverse Stress Test, and implemented certain cost containment and liquidity enhancement measures, including the deferral of capital expenditure, profit distributions to Equity Partners and UK VAT payments due between 20 March 2020 and 30 June 2020 (such deferred VAT payments were settled in full in July 2020). These models demonstrate that Deloitte LLP can withstand reduced profitability without breaching covenants or exceeding borrowing facilities for at least twelve months from the date of this report.

Deloitte LLP's net debt position at 31 May 2020 was £211m and Deloitte LLP, on this date, had undrawn facilities of £310m. On this basis, Deloitte LLP remains in a strong financial position.

Report to Members

For the year ended 31 May 2020

Going concern (continued)

Deloitte LLP's ability to continue as a going concern

At 31 May 2020, total assets of Deloitte LLP were £2,676 million (2019: £1,970 million), and net liabilities attributable to members were £1,218 million (2019: £1,232 million).

Net liabilities attributable to members arise primarily as a result of the recognition in these financial statements of a provision for former and current member annuities of £1,437 million (2019: £1,554 million). The payment of member annuities is conditional on the future generation of profits and is payable over a number of years with £232 million (2019: £253 million) expected to be payable between 10 and 15 years and £749 million (2019: £834 million) expected to be payable after 15 years. The annuity provisions are unfunded, are dependent on the future generation of profits and the annual payments are generally capped at 8% of applicable operating profit before annuity charges, as defined in the relevant agreement in any financial year.

In addition to the above, in these financial statements members' capital totaling £135 million (2019: £136 million) is treated as a financial liability. Capital is not repayable until the member retires or withdraws from Deloitte LLP. Members are required to give a minimum of six months' notice for exiting Deloitte LLP. Upon exiting Deloitte LLP, a member's capital must be repaid as soon as practicable after the retirement date.

At 31 May 2020, Deloitte LLP had undrawn facilities of £310 million (2019: £375 million) and cash balances of £396 million (2019: £28 million), which enables Deloitte LLP to respond to opportunities and invest in new plans and ventures based on the strategy of Deloitte LLP, without needing specific financing. Subsequent to the year end, Deloitte LLP refinanced its facilities - increasing its available facilities through September 2021, and extending a significant portion of these through September 2023. Refer to Note 15 and Note 24 for further details. Note 19 includes Deloitte LLP's objectives, policies and processes for managing its capital and financial risk management objectives and its exposures to credit and liquidity risk.

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

Brexit

On 31 January 2020 the United Kingdom (UK) left the European Union (EU). Under the terms of the Withdrawal Agreement, the UK and the EU are now in a transition period until 31 December 2020, while the future relationship is negotiated. During the transition period the current rules on trade, travel and business of the UK and EU continue to apply.

The longer term political and economic effects of leaving the EU remain unclear at the date of these financial statements. Deloitte LLP's Executive is monitoring the developments in relation to the ongoing negotiations between the EU and the UK, and will continue to evaluate its impact on the business, both in terms of its own activities and those of its clients.

The Executive has established a senior working group to plan and implement the required changes to business operations, systems and compliance before 31 December 2020. Deloitte LLP expects to be able to continue to provide the services defined in engagement letter(s), and does not anticipate resourcing or other constraints to materially affect the delivery of services.

Report to Members

For the year ended 31 May 2020

Environmental and Sustainability

Deloitte LLP recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by Deloitte LLP's activities.

Deloitte LLP operates in accordance with Deloitte NSE's policies and initiatives which are designed to minimise Deloitte NSE's impact on the environment including recycling, waste management, energy procurement, consumption and greening the supply chain. 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 the report as it is included within the group report of Deloitte NSE.

Statement on disclosure of information to auditors

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

Statement of members' responsibilities in respect of the financial statements

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

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

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

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

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

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

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

Signed on 23 September 2020 on behalf of the UK Oversight Board by:

Richard Houston
Senior Partner and Chief Executive

Report of the Independent Auditor to the Members of Deloitte LLP

For the year ended 31 May 2020

Opinion

We have audited the financial statements of Deloitte LLP ("the Limited Liability Partnership") for the year ended 31 May 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the Cash Flow Statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Limited Liability Partnership's affairs as at 31 May 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the statutory financial statements, the Limited Liability Partnership in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the Limited Liability Partnership's financial position as at 31 May 2020 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Limited Liability Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Report of the Independent Auditor to the Members of Deloitte LLP

For the year ended 31 May 2020

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report of the Independent Auditor to the Members of Deloitte LLP

For the year ended 31 May 2020

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.

BDO LLP

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

23 September 2020

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

Income Statement

For the year ended 31 May 2020

£'million	Notes	2020	2019
Continuing operations			
Revenue	3	2,627	2,426
Operating expenses			
Staff costs	4	(1,081)	(952)
Depreciation and amortisation	8, 9, 10	(119)	(57)
Other operating expenses	5	(816)	(1,054)
Operating profit		611	363
Investment income	6	80	91
Finance costs	7	(75)	(66)
Profit for the year		616	388

Profit for the year of Deloitte LLP is impacted by annuities for former and current members (2020: a gain of £68 million; 2019: a loss of £193 million). See Note 16.

Statement of Comprehensive Income

For the year ended 31 May 2020

£'million	Notes	2020	2019
Profit for the year		616	388
Items that will not be re-classified subsequently to profit or loss			
Re-measurements of defined benefit pension scheme	18	8	(28)
Changes in minimum funding liability	18	(51)	18
Net gains on equity securities designated at fair value through other comprehensive income		2	10
Items that may be re-classified subsequently to profit or loss			
Cash flow hedge reserve	19	4	4
Other comprehensive (loss)/income for the year		(37)	4
Total comprehensive income for the year		579	392

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

Balance Sheet

At 31 May 2020

£'million	Notes	2020	2019
Assets			
Non-current assets			
Intangible assets	8	27	25
Property, plant and equipment	9	274	283
Right-of-use assets	10	546	-
Derivative financial instruments	19	30	23
Investment in subsidiaries	11	39	42
Other non-current assets	12	36	19
		952	392
Current assets			
Trade and other receivables	13	1,273	1,466
Amounts due from members	17	55	84
Cash and bank balances		396	28
		1,724	1,578
Total assets		2,676	1,970
Liabilities			
Current liabilities			
Trade and other payables	14	714	620
Amounts due to members	17	22	10
Lease liabilities		52	-
Borrowings	15	686	591
Provisions	16	87	65
Members' capital	17	8	8
		1,569	1,294
Non-current liabilities			
Borrowings	15	112	124
Retirement benefit obligation	18	110	89
Lease liabilities		513	-
Provisions	16	1,463	1,567
Members' capital	17	127	128
		2,325	1,908
Total liabilities		3,894	3,202
Net liabilities attributable to members		(1,218)	(1,232)
Equity			
Members' other reserves	17	(1,218)	(1,232)
		(1,218)	(1,232)
Supplemental information			
Members' interests			
Members' capital	17	135	136
Members' other reserves	17	(1,218)	(1,232)
Amounts due to members	17	22	10
Amounts due from members	17	(55)	(84)
Total members' interests		(1,116)	(1,170)

The financial statements on pages 8 to 62 were authorised for issue and signed on 23 September 2020 on behalf of the members of Deloitte LLP, registered number OC303675, by:

Signed on behalf of the UK Oversight Board,

Richard Houston
Senior Partner and Chief Executive

Donna Ward
Chief Financial Officer

Statement of Changes in Equity

For the year ended 31 May 2020

£'million	Members' other reserves (Note 17)
Balance at 1 June 2018	(1,141)
Profit for the year	388
Other comprehensive income for the year	4
Total comprehensive income	392
Allocated profit in the year	(483)
Transactions with owners	(483)
Balance at 1 June 2019	(1,232)
Profit for the year	616
Other comprehensive income for the year	(37)
Total comprehensive income	579
Allocated profit in the year	(554)
Deemed distribution to parent (Note 21)	(11)
Transactions with owners	(565)
Balance at 31 May 2020	(1,218)

Cash Flow Statement

For the year ended at 31 May 2020

£'million	2020	2019
Profit for the year	616	388
Adjustments for		
Depreciation and amortisation	119	57
Release of impairment of financial assets	(5)	-
Investment income	(80)	(91)
Finance costs	75	66
(Decrease)/increase in provisions	(68)	166
Retirement benefit obligations	-	7
Other non-cash movements	5	8
Operating cash inflows before movements in working capital	662	604
Decrease/(increase) in trade and other receivables	197	(459)
Decrease in provisions	(37)	(54)
Decrease in retirement benefit obligations	(24)	(26)
Increase in trade and other payables	115	130
Net cash inflow from operating activities	913	195
Investing activities		
Acquisition of business (net of cash acquired)	(2)	(11)
Investment income received	80	91
Issue of loans to DTTL network firms	(2)	-
Purchase of investments	(15)	(10)
Proceeds on disposal of investments	-	11
Repayment of investment loans by DTTL network firms	3	2
Purchase of intangible assets	-	(13)
Purchase of property, plant and equipment	(80)	(61)
Net cash (used in)/generated by investing activities	(16)	9
Financing activities		
Payments to members	(513)	(503)
Repayment of capital to former members	(10)	(10)
Capital contributions by members	9	10
Deemed distribution to parent	(11)	-
New borrowings raised	75	375
Principal element of lease payments	(58)	-
Interest paid	(21)	(12)
Net cash used in financing activities	(529)	(140)
Net increase in cash and cash equivalents	368	64
Cash and cash equivalents at beginning of year	28	(36)
	396	28
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	396	28
	396	28

Notes to the Financial Statements

For the year ended at 31 May 2020

1. Basis of preparation

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

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

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

These financial statements (the 'financial statements') have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretation Committee ('IFRIC') interpretations, as issued by the International Accounting Standards Board. These financial statements have also been prepared in accordance with IFRSs as adopted by the European Union ('EU'), together with those parts of the Companies Act 2006 applicable to limited liability partnerships ('LLPs') reporting under IFRS.

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

The principal accounting policies adopted in the preparation of these financial statements are set out below. All accounting policies have been consistently applied to all of the financial years presented, with the exception of the policies affected by the transition to IFRS 16 *Leases* as detailed below.

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

2. Accounting policies

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

2.1. Significant accounting policies

Going concern

Implications of COVID-19 on Deloitte LLP's business

The COVID-19 outbreak developed rapidly in 2020 with the UK Government imposing significant travel and transport restrictions, including mandated closures and orders to 'self-isolate' and quarantine restrictions ('lockdown measures') in March 2020 which began easing in May 2020. To date, Deloitte LLP has taken measures to protect the health and safety of staff, and has worked with clients and suppliers to minimise disruptions and support the community in addressing the challenges posed by this ongoing global pandemic.

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Going concern (continued)

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

Despite these challenges, Deloitte LLP's client service delivery has not been materially affected, with staff effectively transitioning to remote working following the lockdown. As of the date of this report, the majority of Deloitte LLP's staff continue to work remotely with a limited number of offices open with reduced capacity in each. Deloitte LLP continues to review the guidance issued by the UK government on how to safely enable more staff to return to its offices.

As a consequence of the pandemic, the growth in revenue of Deloitte LLP for the year ended 31 May 2020 has been less than planned. In response to this, together with the general macroeconomic uncertainty caused by the pandemic and broader disruption to economic activity, Deloitte LLP has carefully managed and monitored its liquidity and capital resources. Deloitte LLP has developed performance and liquidity models for a number of scenarios, including a Reverse Stress Test, and implemented certain cost containment and liquidity enhancement measures, including the deferral of capital expenditure, profit distributions to Equity Partners and UK VAT payments due between 20 March 2020 and 30 June 2020 (such deferred VAT payments were settled in full in July 2020). These models demonstrate that Deloitte LLP can withstand reduced profitability without breaching covenants or exceeding borrowing facilities for at least twelve months from the date of this report.

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Deloitte LLP's ability to continue as a going concern

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2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Going concern (continued)

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

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

Investments in subsidiaries, associates and joint ventures

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

Business combinations

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

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

Foreign currencies

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

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Revenue

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

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

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

The amount of consideration Deloitte LLP receives varies both service to service and from customer to customer, reflecting the bespoke nature of the services provided. The consideration typically reflects the skills and experience of the individuals who provide the services as well as the availability of similar skills and experience in the wider professional services market. These factors tend to vary from business to business.

The consideration Deloitte LLP receives is typically based on one or more of four principal pricing mechanisms:

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

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

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

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Revenue (continued)

Deloitte LLP measures progress in satisfying the performance obligations as follows:

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

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

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

Unsatisfied performance obligations

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

Trade receivables

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

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

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Contract assets

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

Contract liabilities

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

Taxation

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

Intangible assets

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

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

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

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

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

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible assets and intangible assets including goodwill

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

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

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.

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Fair value

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

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

Financial instruments

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

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

Financial assets

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

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

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

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

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

(ii) Equity instruments

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

Dividends on these investments in equity instruments are recognised in the income statement in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of investment. Dividends are included in the 'investment income' line item (Note 6) in the income statement. For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income and accumulated in Members' other reserves.

Impairment of financial assets

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

(i) Trade receivables and contract assets

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

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

The expected loss rates are based on the payment profiles of sales over a period of four years 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. Deloitte LLP has considered the economic conditions and the regulatory environment for each client industry and considered the geographical areas in which Deloitte LLP provides services.

(ii) Amounts owed by group undertakings and debt instruments

Historical data about incurred losses is utilised as a basis for assessing the expected credit loss. All amounts owed by group undertakings and debt instruments are considered to have low credit risk and therefore any loss allowance is limited to 12 months expected losses. There has 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.

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

(iii) Amounts due from members

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

Definition of default

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

Credit-impaired financial assets

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

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

Write-off policy

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

Financial liabilities

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

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets

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

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

Derivative financial instruments

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

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

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

Hedge accounting

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

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

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

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Financial instruments (continued)

Cash flow hedge

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

- The use of derivatives as a protection against currency risk creates an exposure to the derivative counterparty's credit risk which is not offset by the hedged item. This risk is minimised by entering into derivatives with high credit quality counterparties.
- Difference in timing of settlement of the hedging instrument and hedged item.
- Designation of off-market hedging instruments.

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

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

Leases (IFRS 16 effective 1 June 2019)

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

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

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

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Leases (IFRS 16 effective 1 June 2019) (continued)

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

To determine the IBR, Deloitte LLP:

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

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

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

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

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The depreciation starts at the commencement date of the lease.

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

Deloitte LLP remeasures the lease liability, and makes a corresponding adjustment to the related right-of-use asset, when (a) the lease term changes; (b) the lease payments change; or (c) a lease contract is modified and the lease modification is not accounted for as a separate lease.

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Leases (IAS 17 prior to 1 June 2019)

Prior to the adoption of IFRS 16 on 1 June 2019, leases were classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Deloitte LLP only has operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Provisions

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

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

Retirement benefit obligations

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

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

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

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Retirement benefit obligations (continued)

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 amendment or curtailments are recognised immediately in profit or loss as past service costs.

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

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

Members

Annuities to current and former members

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

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

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

Members' capital

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

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

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.1. Significant accounting policies (continued)

Members (continued)

Allocation of profits

The allocation of profit is at the discretion of the Deloitte NSE Board in accordance with the formal partner remuneration procedures in place from time to time. Each partner shares in profit based on the proportion of units allocated to them. The Deloitte NSE Board, on recommendation of the Deloitte NSE CEO, 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.

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, have been charged to the income statement in the year and have been included in other operating expenses.

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. This monthly amount is determined by the CEO, with the approval of the Deloitte NSE.

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

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

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.2. Critical accounting judgements and key sources of estimation

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

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

Critical judgements made in relation to Deloitte LLP

Revenue recognition: Identification of performance obligations

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

If performance obligations were determined differently, then this could affect both the timing and extent of revenue recognised in a financial period. Where we 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 for our revenue disclosures.

Key sources of estimation identified for Deloitte LLP

Revenue stage of completion

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

Retirement benefit obligation

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

2. Accounting policies (continued)

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

Key sources of estimation identified for Deloitte LLP (continued)

Provision for member annuities

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

Provision for claims and regulatory proceedings

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

2.3. Amendments to IFRSs adopted by Deloitte LLP

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

IFRS 16 Leases

Deloitte LLP has adopted IFRS 16 Leases retrospectively from 1 June 2019, but has not restated comparatives for the prior year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 June 2019. The new accounting policies are disclosed in Note 2.1.

Applying IFRS 16, for all leases previously classified as 'operating leases' under the principles of IAS 17 Leases, Deloitte LLP:

a. recognises right-of-use assets and lease liabilities in the consolidated balance sheet, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted for lease incentives received and property restoration costs;
b. recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement; and
c. separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes small items of office furniture and equipment), Deloitte LLP has opted to recognise a lease cost on a straight-line basis as permitted by IFRS 16. This cost is presented within 'other operating costs' in the income statement.

Notes to the Financial Statements

For the year ended at 31 May 2020

2. Accounting policies (continued)

2.3. Amendments to IFRSs adopted by Deloitte LLP (continued)

IFRS 16 Leases (continued)

Practical expedients applied

On adoption of IFRS 16, Deloitte LLP has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 June 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Deloitte LLP has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered into before 1 June 2019.

Measurement of lease liabilities

On 1 June 2019 lease liabilities were measured at the present value of future lease payments, discounted using the relevant incremental borrowing rate as of 1 June 2019. The weighted average incremental borrowing rate (IBR) applied to the lease liabilities on 1 June 2019 was 1.8%.

£'million	2020
Operating lease commitments disclosed as at 31 May 2019	694
Adjustments as a result of a different treatment of extension and terminations options	5
Gross lease liability at 1 June 2019	699
Discounting	(82)
Lease liability recognised at 1 June 2019	617
Analysed as:	
Current lease liabilities	50
Non-current lease liabilities	567

Measurement of right-of-use assets

Deloitte LLP has opted to measure the right-of-use asset recognised at 1 June 2019 at an amount equal to the lease liability of £617 million, adjusted for lease incentives received of £45 million, lease payments made in advance of £3 million and property restoration costs of £23 million. The right-of-use asset recognised at 1 June 2019 is therefore £598 million. The adoption of IFRS 16 did not result in a change to the net asset position of Deloitte LLP on 1 June 2019.

Interbank Offered Rates (IBOR) reform Phase 1

Deloitte LLP has early adopted the amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments relating to the IBOR reform Phase 1 from 1 June 2019. The adoption of this amendment did not result in a financial impact to Deloitte LLP as the partnership hedges against foreign currency exposures, rather than interest rate risk.

2. Accounting policies (continued)

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

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

- Amendments to IFRS 3 *Business Combinations* effective for periods beginning on or after 1 January 2020;
- Amendments to IAS 1 *Presentation of financial statements* and IAS 8 *Accounting policies, changes in accounting estimates and errors*: Definition of material - effective for periods beginning on or after 1 January 2020;
- Conceptual Framework: Amendments to References to the Conceptual framework in IFRS Standards - effective for periods beginning on or after 1 January 2020;
- Amendments to IFRS 16 *Leases*: Covid-19-Related Rent Concessions - effective for periods beginning on or after 1 June 2020;
- Amendments to IFRS 3 *Business Combinations*: Reference to the Conceptual Framework - effective for periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*: Onerous contracts - effective for periods beginning on or after 1 January 2022;
- 2018-2020 annual improvements cycle: Amendments to four International Reporting Standards (IFRSs) as a result of the IASB's annual improvements project - effective for periods beginning on or after 1 January 2022;
- Amendments to IAS 16 *Property, Plant and Equipment*: Proceeds before intended use - effective for periods beginning on or after 1 January 2022; and
- Amendments to IAS 1 *Presentation of financial statements*: Amendments on classification - effective for periods beginning on or after 1 January 2023.

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

3. Revenue

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

£’million	2020	Restated[1] 2019
Audit & Assurance	627	572
Consulting	38	11
Financial Advisory	519	497
Risk Advisory	533	502
Tax & Legal	910	844
	2,627	2,426

[1] *The prior year comparatives have been restated due to internal moves of service lines between Businesses. This has not changed total revenue for the year ended 31 May 2019. The Audit & Assurance and Risk Advisory businesses were presented in aggregate prior to 1 June 2019 and are now presented separately.*

Deloitte LLP has applied the practical expedient set out in IFRS 15 in respect of the presentation of the transaction price allocated to partially or fully unsatisfied contracts with customers where the contract period is for a year or less or where the right to consideration corresponds directly to the performance completed to date. As at 31 May 2020 there were no material fixed price contracts with durations greater than a year (2019: nil).

Notes to the Financial Statements

For the year ended at 31 May 2020

4. Staff costs

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

Number	2020	2019
Members	709	699
Employees	13,888	12,081
	14,597	12,780

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

£'million	2020	2019
Salaries[1]	878	767
Social security costs	95	86
Pension costs (Note 18)		
Defined contribution	108	92
Defined benefit – past service cost	-	7
	1,081	952

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

5. Net other operating expenses

Other operating expenses comprise:

£'million	2020	2019
Current and former member annuities (Note 16)		
Annuities to current members		
Current year charge	38	32
Actuarial (gains)/losses	(93)	56
Annuities to former members		
Current year charge	-	6
Actuarial (gains)/losses	(49)	60
Total current and former member annuities	(104)	154
Expenses and sub-contractor costs on customer assignments	713	625
Net reversal of impairment losses on financial assets[1]	(5)	-
Other[2]	212	275
	816	1,054

[1] *In the prior year, this was net impairment losses on financial assets of £10 million and included within 'Other'.*
[2] *Other primarily comprises DTTL subscription fees, IT costs, consultants' costs, professional fees, property costs and rental expense. For the year ended 31 May 2020 Other includes the rental expense for short-term or low-value leases, whereas for the year ended 31 May 2019, Other includes the rental expense on all operating leases. This change is as a result of the adoption of IFRS 16, see Note 2.3.*

Total fees and expenses payable to Deloitte LLP's auditors, BDO LLP, for the year ended 31 May 2020 were £0.4 million (2019: £0.4 million). Fees for other assurance services included £18,000 (2019: £18,000) for reporting on government grant certifications.

Notes to the Financial Statements

For the year ended at 31 May 2020

6. Investment income

£'million	2020	2019
Dividend income	69	68
Distribution from subsidiaries	11	23
	80	91

7. Finance costs

£'million	2020	2019
Interest on borrowings	10	7
Interest on lease liabilities (Note 10)	11	-
Factoring costs	15	17
Unwinding of discount on provisions (Note 16)	37	40
Net interest expense on pension scheme obligations (Note 18)	2	2
	75	66

Notes to the Financial Statements

For the year ended at 31 May 2020

8. Intangible assets

£'million	Goodwill	IT software	Customer relationships, order books, brands and contracts	Total
Cost				
At 1 June 2018	1	18	5	24
Additions from internal development	-	13	-	13
Acquisition of subsidiary	2	-	9	11
At 31 May 2019	3	31	14	48
Acquisition of subsidiary	2	-	-	2
Transfer[1]	-	2	-	2
At 31 May 2020	5	33	14	52
Amortisation				
At 1 June 2018	-	17	4	21
Charge for the year	-	1	1	2
At 31 May 2019	-	18	5	23
Charge for the year	-	1	1	2
At 31 May 2020	-	19	6	25
Net book value				
At 31 May 2020	5	14	8	27
At 31 May 2019	3	13	9	25

[1] *Represents IT assets under construction transferred from Property, plant and equipment brought into use during the year.*

Amortisation of intangible assets is included in 'Depreciation and amortisation' in the income statement.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs or group of CGUs that are expected to benefit from that business combination. Management have concluded that Deloitte LLP's CGU's are at the Business level as this is the lowest level within which Deloitte LLP monitors goodwill and for which discrete financial information is available and regularly reviewed by management. Deloitte LLP's goodwill balance of £5 million (2019: £3 million) has been allocated to Tax and Legal.

Impairment review

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

Percentage	2020	2019
Average annual revenue growth	5 - 7%	6 - 8%
Terminal growth rate	2%	2%
Discount rate	7.3 - 7.8%	7.7 - 8.8%

A reasonable change in the key assumptions would not result in a significant impairment of any of the CGUs.

9. Property, plant and equipment

£'million	Leasehold improvements	Computer equipment	Fixtures and fittings	Motor vehicles	Assets under construction	Total
Cost						
At 1 June 2018	223	81	52	24	126	506
Additions	1	25	-	2	33	61
Transfer	82	12	16	-	(110)	-
Disposals	(42)	(9)	(13)	(2)	-	(66)
At 31 May 2019	264	109	55	24	49	501
Reclassification due to IFRS 16[1]	(30)	-	-	-	-	(30)
At 1 June 2019	234	109	55	24	49	471
Additions	-	16	-	6	58	80
Transfer	35	22	13	-	(72)	(2)
Disposals	-	(3)	-	(7)	-	(10)
At 31 May 2020	269	144	68	23	35	539
Depreciation						
At 1 June 2018	137	41	40	10	-	228
Charge for the year	23	26	3	3	-	55
Transfer	(9)	6	3	-	-	-
Disposals	(40)	(9)	(13)	(3)	-	(65)
At 31 May 2019	111	64	33	10	-	218
Reclassification due to IFRS 16[1]	(6)	-	-	-	-	(6)
At 1 June 2019	105	64	33	10	-	212
Charge for the year	17	33	6	3	-	59
Disposals	-	(3)	-	(3)	-	(6)
At 31 May 2020	122	94	39	10	-	265
Net book value						
At 31 May 2020	147	50	29	13	35	274
At 31 May 2019	153	45	22	14	49	283

[1] *Deloitte LLP adopted IFRS 16 on 1 June 2019. Please refer to note 2.3 for details of the adjustments recognised.*

As at 31 May 2020, Assets under construction related to the costs of leasehold improvements at 1 New Street Square of £10 million (2019: £8 million) and leasehold improvements in other offices of £25 million (2019: £33 million).

Notes to the Financial Statements

For the year ended at 31 May 2020

10. Right-of-use assets

£'million	Buildings	Equipment	Motor vehicles	Total
Cost				
At 1 June 2019 [1]	585	11	2	598
Additions	7	-	2	9
Remeasurement	(4)	1	-	(3)
Disposals	(1)	-	(1)	(2)
At 31 May 2020	587	12	3	602
Depreciation				
At 1 June 2019 [1]	-	-	-	-
Charge for the year	54	2	2	58
Disposals	(1)	-	(1)	(2)
At 31 May 2020	53	2	1	56
Net book value				
At 31 May 2020	534	10	2	546
At 1 June 2019 [1]	585	11	2	598

[1] *Deloitte LLP adopted IFRS 16 on 1 June 2019. Please refer to note 2.3 for details of the adjustments recognised.*

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

The maturity analysis of lease liabilities is presented in Note 19.

Amounts recognised in the income statement consists of:

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

At 31 May 2020, Deloitte LLP is committed to £2 million (2019: £6 million) for short-term leases.

The total cash outflow for leases consists of fixed payments of £67 million. There are no variable payments.

At 31 May 2020, Deloitte LLP was committed to leases that would commence in the year ending 31 May 2021. The aggregate future cash outflows to which Deloitte LLP is exposed to in respect of these contracts is fixed payments of £11 million per year, for the next 15 years.

Notes to the Financial Statements

For the year ended at 31 May 2020

11. Investments

£'million	Subsidiary undertakings	Associate undertakings	Total
Cost			
At 31 May 2019	46	13	59
Additions	1	-	1
Disposals	(6)	-	(6)
Transfer	-	10	10
At 31 May 2020	41	23	64
Provision			
At 31 May 2019	4	13	17
Charge for the year	-	-	-
Disposals	(2)	-	(2)
Transfer	-	10	10
At 31 May 2020	2	23	25
Net book value			
At 31 May 2020	39	-	39
At 31 May 2019	42	-	42

12. Other non-current assets

£'million	Equity investments at fair value through other comprehensive income	Financial assets at amortised cost	Total
Cost			
At 31 May 2019	2	43	45
Additions	3	6	9
Revaluation	2	-	2
Disposals	-	(3)	(3)
Transfer	-	(10)	(10)
Exchange differences	-	1	1
At 31 May 2020	7	37	44
Provision			
At 31 May 2019	1	25	26
Charge for the year	-	(7)	(7)
Transfer	-	(10)	(10)
Exchange differences	-	(1)	(1)
At 31 May 2020	1	7	8
Net book value			
At 31 May 2020	6	30	36
At 31 May 2019	1	18	19

Notes to the Financial Statements

For the year ended at 31 May 2020

12. Other non-current assets (continued)

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

Financial assets at amortised cost include the following debt instruments:

	2020			2019		
£'million	Current	Non-current	Total	Current	Non-current	Total
Loans to related parties	-	37	37	-	43	43
Less: Loss allowance	-	(7)	(7)	-	(25)	(25)
	-	30	30	-	18	18

13. Trade and other receivables

£'million	2020	2019
Customer receivables	479	428
Due from DTTL network firms	64	101
Trade receivables	543	529
Amounts to be billed to customers	430	559
Amounts owed by Group undertakings	256	284
Prepayments	29	64
Other receivables	15	30
	1,273	1,466

Loss allowance

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

	Trade receivables		Amounts to be billed to customers	
£'million	2020	2019	2020	2019
Balance at the beginning of the year	13	8	3	-
IFRS 9 adjustment[1]	-	-	-	2
Increase in loss allowance recognised during the year	10	9	-	1
Individually credit impaired receivables	5	-	-	-
Unused amount reversed	(10)	(3)	-	-
Receivables written off during the year as uncollectable	(2)	(1)	-	-
As at the end of the year	16	13	3	3

[1] *In 2019, the amount in relation to Trade Receivables was less than £1 million.*

Notes to the Financial Statements

For the year ended at 31 May 2020

13. Trade and other receivables (continued)

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

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

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

The loss allowance as at 31 May 2019 was determined as follows:

£'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	309	136	51	46	542	562	1,104
Expected credit loss rate	0.58%	1.00%	5.68%	15.54%		0.58%	
Loss allowance	2	1	3	7	13	3	16

Significant changes in amounts to be billed to customers

Prior year amounts to be billed to customers was higher than normal, following the introduction mid-year of a new engagement management system. Current year balances have returned to normal levels.

Factoring arrangements

The carrying amounts of the trade receivables include amounts that are subject to a factoring arrangement. Under this arrangement, Deloitte LLP has transferred relevant receivables to the pension funding partnership and is prevented from selling or pledging the receivables. Deloitte LLP continues to service, administer and collect the trade receivables. Deloitte LLP retains credit risk due to a minimum asset value guarantee provided to the pension funding partnership and therefore continues to recognise the transferred assets in their entirety in the balance sheet. The amount repayable under the factoring agreement is presented as Borrowings. The business model is still considered to be held to collect hence such receivables continue to be measured at amortised cost.

14. Trade and other payables

£'million	2020	2019
Progress billings	176	159
Trade payables	26	26
Due to DTTL network firms	41	29
Amounts due to Group undertakings	28	23
Social security and other taxes	174	63
Accruals	257	300
Other	12	20
	714	620

The carrying amount of trade payables and due to DTTL network firms approximates to their fair value.

During 2020, £131 million (2019: £82 million) of Deloitte LLP's £159 million (2019: £134 million) prior year recorded progress billings were recognised as revenue.

15. Borrowings

£'million	2020	2019
Secured borrowings at amortised cost		
Factoring arrangements (see Note 13)	191	186
Unsecured borrowings at amortised cost		
Private Placement Loan Notes	127	124
Bank loans	480	405
	607	529
Amounts due for settlement within 12 months	686	591
Amounts due for settlement after 12 months	112	124
	798	715

Bank loans represent Deloitte LLP's liability under revolving credit facilities with various banks which expire on 30 September 2021, see Note 24 Subsequent events. The revolving credit facilities have interest periods ranging from seven days to 12 months or any other period agreed between Deloitte LLP and the banks. The loans carry an interest rate which is the aggregate of LIBOR and a margin besides customary commitment and utilisation fees. The weighted average interest cost of the bank loans during the year was 1.33%. Deloitte LLP has an option to prepay at any time in whole or any part (not less than £0.5 million) of the loans plus break costs.

15. Borrowings (continued)

Private Placement Loan Notes (the 'Notes')

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

Title	Year Issued	Principal Value	Maturity	Semi Annual Coupon
Series A	2013	US$18 million	23 October 2020	3.78%
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 4.16%. Deloitte LLP has an option to prepay at any time all, or any part (not less than 5% of the aggregate principal amount of the Notes of all series then outstanding) of the Notes at the principal (including accrued interest) plus a make-whole premium.

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

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

Other facilities

In addition to the Notes of £127 million (2019: £124 million), at 31 May 2020 Deloitte LLP had total facilities of £790 million (2019: £780 million) with leading international banks. These facilities included revolving credit facilities totaling £760 million of which £60 million expire on 30 November 2020 and £700 million expire on 30 September 2021, £30 million overdraft facilities, of which £20 million are due to expire in September 2020 and £10 million are indefinite. At 31 May 2020 £480 million (2019: £405 million) had been drawn down against these facilities. See Note 24 Subsequent events for a discussion of the refinancing of Deloitte LLP.

15. Borrowings (continued)

Cash flow reconciliations

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

£'million	Non-current borrowings	Current borrowings	Lease liability	Members' capital	Amounts due (from)/to members
At 1 June 2018	119	204	-	136	(54)
New borrowings raised	-	375	-	-	-
Capital contributions by members	-	-	-	10	-
Repayment of capital to former members	-	-	-	(10)	-
Payments to members	-	-	-	-	(503)
Foreign exchange movements	5	-	-	-	-
Other non-cash movements[1]	-	12	-	-	483
At 31 May 2019	124	591	-	136	(74)
Lease liability recognised [2]	-	-	617	-	-
At 1 June 2019	124	591	617	136	(74)
New borrowings raised	-	75	-	-	-
Capital contributions by members	-	-	-	9	-
Repayment of capital to former members	-	-	-	(10)	-
Lease payments	-	-	(69)	-	-
Payments to members	-	-	-	-	(513)
Foreign exchange movements	3	-	-	-	-
Transfer	(15)	15	-	-	-
Other non-cash movements[1]	-	5	17	-	554
At 31 May 2020	112	686	565	135	(33)

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

[2] Deloitte LLP adopted IFRS 16 on 1 June 2019. Please refer to note 2.3 for details of the adjustments recognised.

Notes to the Financial Statements

For the year ended at 31 May 2020

16. Provisions and contingent liabilities

£'million	Former member annuities	Current member annuities	Property provisions	Professional liability claims	Total
At 1 June 2018	790	612	53	25	1,480
Charge for the year	6	32	-	12	50
Transfer	44	(44)	-	-	-
Paid in year	(41)	-	-	(13)	(54)
Unwinding of discount (Note 7)	22	17	1	-	40
Actuarial losses	60	56	-	-	116
At 31 May 2019	881	673	54	24	1,632
Charge for the year	-	38	11	25	74
Transfer	48	(48)	-	-	-
Paid in year	(35)	-	-	(2)	(37)
Reclassification to accruals	(14)	-	-	-	(14)
Unwinding of discount (Note 7)	20	16	1	-	37
Actuarial gains	(49)	(93)	-	-	(142)
At 31 May 2020	851	586	66	47	1,550
Income statement (credit)/charge					
2020	(29)	(39)	11	25	(32)
2019	88	105	-	12	205

£'million	2020	2019
Included in current liabilities	87	65
Included in non-current liabilities	1,463	1,567
	1,550	1,632

Former and current members' annuities

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

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

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

Percentage	2020	2019
Discount rate[1]	1.6	2.4
Inflation rate	2.7	3.3

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

Notes to the Financial Statements

For the year ended at 31 May 2020

16. Provisions and contingent liabilities (continued)

Former and current members' annuities (continued)

The assumed discount rate and inflation rate have a significant effect on the annuities provision. The table below shows the sensitivity of the annuities provision at 31 May 2020 to changes in these assumptions.

Assumptions	Change in assumption	£'million (Decrease)/ increase
Discount rate	Increase by 0.25%	(59)
	Decrease by 0.25%	63
Inflation rate	Increase by 0.25%	18
	Decrease by 0.25%	(18)

The post retirement mortality of the members is assumed to be in line with Self-Administered Pension Scheme (S2) light birth year tables with scaling factors for each member class as determined by the Actuary's Longevity Model with Core Continuous Mortality Investigation ('CMI') 2019 improvements with a long-term rate of 1.25%. The assumed life expectations on retirement at age 60 are:

Number of years	2020	2019
Retiring today:		
Males	27	27
Females	29	29
Retiring in 20 years:		
Males	29	29
Females	30	30

In addition to the above, the assumed future profitability of Deloitte LLP also has a significant effect on the annuities provision. The impact of COVID-19 on forecasting profit and cash flows is complex, given the many uncertainties associated with the pandemic including the length of time and severity of the impact, how effective measures taken to control the spread of the virus will be, and how quickly activities return to more normal conditions once the pandemic is over. The table below shows the sensitivity of the Partner annuities provision at 31 May 2020 to a change in this assumption:

Assumptions	Change in assumption	£'million (Decrease)/ increase
Profit	FY21 base case profits rising by 25% to FY24, then 2% growth per annum thereafter.	38
	FY21 base case profits rising by 17% to FY24, then 2% growth per annum thereafter.	(23)

Notes to the Financial Statements

For the year ended at 31 May 2020

16. Provisions and contingent liabilities (continued)

Property provisions

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

Property provisions of £66 million (2019: £54 million), are expected to be utilised by 2037 (2019: 2037).

Professional liability claims

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

17. Members' interests

	Members' interests			
£'million	Members' capital	Members' other reserves	Amounts due to/(from) members	Total
At 1 June 2018	136	(1,141)	(54)	(1,059)
Total comprehensive income for the year				
Profit for the year	-	388	-	388
Other comprehensive income for the year	-	4	-	4
	136	(749)	(54)	(667)
Profit allocated to members	-	(483)	483	-
Capital contributions by members	10	-	-	10
Repayment of capital	(10)	-	-	(10)
Payments to members	-	-	(503)	(503)
At 31 May 2019	136	(1,232)	(74)	(1,170)
Total comprehensive income for the year				
Profit for the year	-	616	-	616
Other comprehensive loss for the year	-	(37)	-	(37)
	136	(653)	(74)	(591)
Profit allocated to members	-	(554)	554	-
Capital contributions by members	9	-	-	9
Repayment of capital	(10)	-	-	(10)
Payments to members	-	-	(513)	(513)
Deemed distribution to parent (Note 21)	-	(11)	-	(11)
At 31 May 2020	135	(1,218)	(33)	(1,116)

17. 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
2020			
Non-Current	127	-	-
Current	8	(55)	22
	135	(55)	22
2019			
Non-Current	128	-	-
Current	8	(84)	10
	136	(84)	10

Members' capital is classified as a financial liability, because it is repayable when a member leaves Deloitte LLP. The negative members' interests arise as a result of the members' distributable profit being determined by Deloitte LLP's management accounts, which are based on different accounting policies to these financial statements. The most significant difference is the provision of former and current member annuities of £851 million (2019: £881 million) and £586 million (2019: £673 million) respectively. The payment of this annuity liability, which totals £1,437 million (2019: £1,554 million), is generally conditional on the future generation of profits and is payable over a number of years with £232 million (2019: £254 million) payable between 10 and 15 years and £749 million (2019: £834 million) payable after 15 years.

Deloitte LLP's distributable profits are allocated according to members' units. The unit allocation is completed after year-end and accordingly, there was no automatic allocation of profits among the members at 31 May 2020. As a result, the balance of profit available for division among the members as at 31 May 2020 is included in members' other reserves.

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

Members' profit share

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

£'thousand	2020	2019
Average profit per member (excluding members on secondment overseas)	731	876
Senior Partner and Chief Executive	953	1,666
Key Management Personnel (2020: 7 members and 2019, 7 members)[1]	6,241	8,858

[1] *Key management personnel are the individuals that serve on both the Deloitte NSE and UK Executive Group. In these financial statements, only the proportion of their profit share relating to the services provided to Deloitte LLP have been included.*

Key Management Personnel, as described above, are responsible for planning, directing and controlling the activities of Deloitte LLP, and consequently are regarded as key management personnel for purposes of these financial statements. The Senior Partner and Chief Executive during the year ended 31 May 2020 was the member with the largest entitlement to profit.

17. Members' interests (continued)

At 31 May 2020, the amounts due to and due from Key Management Personnel are £0.7 million (2019: £0.1 million) and £0.1 million (2019: £0.8 million) respectively.

18. Retirement benefit schemes

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

£'million	2020	2019
Contributions to defined contribution scheme (Note 4)	108	92
Past service cost for defined benefit pension schemes and net interest cost	2	9
	110	101

Defined contribution scheme

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

As at 31 May 2020, the DPP scheme had 18,648 members (2019: 16,413) of which 13,314 members (2019: 12,038) related to employees of Deloitte LLP. At 31 May 2020 and 2019, Deloitte LLP had £nil (2019: £nil) contributions payable to the DPP.

Defined benefits scheme

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

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

18. Retirement benefit schemes (continued)

Scheme risks

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

Investment risk

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

Strategic management of the assets of the Schemes, including setting the asset allocation guidelines is the responsibility of the Trustee. The Trustee takes into consideration the Schemes' liability, the covenant of Deloitte LLP and funding levels, when setting the investment strategy. During 2020, the Trustee has taken further steps which began in 2017 to reduce the volatility that derives from the high allocation to equities and has taken steps to reduce or manage the interest rate risk arising from the Schemes' liabilities by increasing the investment in a liability driven investment portfolio and debt funds.

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

Interest rate risk

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

Longevity risk

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

18. Retirement benefit schemes (continued)

Assumptions

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

Percentage	2020	2019
Discount rate	1.6	2.4
Inflation (RPI)	2.7	3.3
Inflation (CPI)	2.0	2.2
Expected increase in pension payments		
Pre 6 April 1997 service	2.6	3.2
Pre 6 April 2006 service	2.5	2.9
Post 6 April 2006 service	2.0	2.3

The mortality of the Scheme members is assumed to be in line with SAPS (S2) light birth year tables with scaling factors for each member class as determined by the Actuary's Longevity Model with CMI 2019 improvements with a long-term rate of 1.25%.

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

	2020	2019
Retiring today:		
Males	22	22
Females	24	24
Retiring in 20 years:		
Males	24	24
Females	26	25

Sensitivity analysis for each significant actuarial assumption

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

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

- If the discount rate is 0.25% higher (lower), the defined benefit obligation would decrease by £45 million (increase by £42 million).
- If the inflation rate increases (decreases) by 0.25%, the defined benefit obligation would increase by £36 million (decrease by £31 million).
- If the life expectancy increases (decreases) by 1 year, the defined benefit obligation would increase by £44 million (decrease by £43 million).

Notes to the Financial Statements

For the year ended at 31 May 2020

18. Retirement benefit schemes (continued)

Income statement and statement of comprehensive income

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

£'million	2020	2019
Operating expenses – Current and past service cost	-	7
Finance costs - Minimum funding requirement	3	4
Finance costs - Net interest income	(1)	(2)
	2	9

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

£'million	2020	2019
Return on Scheme assets (excluding amounts included in the net interest cost)	(82)	(50)
Actuarial losses/(gains) arising from changes in demographic assumptions	3	(19)
Actuarial losses arising from changes in financial assumptions	75	92
Actuarial (gains)/losses arising from changes in experience assumptions	(4)	5
Re-measurements of the defined benefit pension scheme	(8)	28
Effect of minimum funding requirement (excluding amounts included in the net interest cost)	51	(18)
	43	10

Funded status and Scheme assets

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

£'million	2020	2019
Fair value of Scheme assets	1,130	1,044
Present value of Scheme obligations	(1,073)	(1,020)
Funded status	57	24
Additional liability in respect of minimum funding requirement	(167)	(113)
Net liability recognised in the balance sheet	(110)	(89)

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

£'million	2020	2019
Fair value of Scheme assets at 1 June	1,044	981
Interest income	25	28
Re-measurement gain: Return on Scheme assets (excluding amounts included in net interest cost)	82	50
Employer contributions	24	26
Benefits paid	(45)	(41)
Fair value of Scheme assets at 31 May	1,130	1,044

18. Retirement benefit schemes (continued)

Funded status and Scheme assets (continued)

Contributions during the year ended 31 May 2020 include £24 million (2019: £26 million) towards eliminating the assessed deficit of the most recent full triennial actuarial valuation as at 30 September 2017. The actual return on Scheme assets was £107 million (2019: £78 million).

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

£'million		2020	2019
Investment funds			
Global equity	Quoted	-	62
Corporate bonds	Quoted	492	274
Leverage liability hedging portfolio	Quoted	407	323
UK property	Quoted	54	93
Money market	Quoted	68	116
Private equity	Unquoted	-	58
Debt	Unquoted	34	37
Infrastructure	Unquoted	56	56
Other net assets	Quoted	5	10
Pension Funding Partnership	Unquoted	14	15
		1,130	1,044

Pension Funding Partnership

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

The Scheme has a limited interest in the SLP, the value of which it takes in to account in its assessment of the Scheme's funding position as part of the triennial actuarial valuation process referred to above, and is 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 are in addition to Deloitte LLP's ongoing funding arrangement. At the end of the 15 year period, September 2025, Deloitte LLP will be required to pay an amount in cash to the Scheme; the redemption value of the investment will be the lower of £75 million or the deficit in the Scheme at that time with a minimum payment of £0.5 million if the Scheme is not in deficit.

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

18. Retirement benefit schemes (continued)

Scheme obligations

The changes in defined benefit obligations were as follows:

£'million	2020	2019
Present value of defined benefit obligations at 1 June	1,020	950
Interest cost	24	26
Remeasurement (gains)/losses:		
Changes in demographic assumptions	3	(19)
Changes in financial assumptions	75	92
Experience adjustments on defined benefit obligations	(4)	5
Past service cost (including curtailments)	-	7
Benefits paid	(45)	(41)
Present value of defined benefit obligation at 31 May	1,073	1,020

Maturity profile of the defined benefit obligation

The average duration of the Scheme at the end of the reporting period is 16 years (2019: 16 years). This number can be subdivided into the duration related to:

- deferred members: 18 years (2019: 18 years); and
- former members: 12 years (2019: 12 years).

Funding arrangement – the Scheme

Deloitte LLP has agreed a recovery plan which includes payments of £2 million per month to August 2022 inclusive. Deloitte LLP has also agreed to pay a monthly contribution of £2 million with effect from September 2022 until full funding is reached on the Trustee's secondary funding target. Expenses and administrative costs incurred in connection with the UK Scheme and any remuneration of the Directors of the Trustee are payable by Deloitte LLP. Levies paid to the Pension Protection Fund and other bodies to the extent not met by the UK Scheme's assets are payable by Deloitte LLP.

The funding requirements will be reviewed when the result of the next full triennial actuarial valuations are available, scheduled to take place as at the balance sheet date of 30 September 2020, and are also subject to review during the inter valuation period based on developments in the Scheme.

Expected contributions to the Scheme for the next annual reporting period

Deloitte LLP expects to make a contribution of £24 million to the Scheme during the next financial year.

Notes to the Financial Statements

For the year ended at 31 May 2020

19. Financial instruments

Capital and financial risk management

Deloitte LLP manages its capital to safeguard its ability to continue as a going concern while maintaining an optimal capital structure to cover the cash requirements of the business. Deloitte LLP's overall capital and risk management strategy remains unchanged from 2019.

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

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

Financial instruments

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

The carrying amounts of financial instruments are as follows:

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

19. Financial instruments (continued)

Financial instruments (continued)

	2019				
	Carrying value				
£'million	Assets at amortised cost	FVTPL	FVTOCI - designated	Liabilities at amortised cost	Fair value
Assets					
Derivative financial instruments	-	23	-	-	23
Trade and other receivables[1]	1,402	-	-	-	1,402
Amounts due from members	84	-	-	-	84
Cash and bank balances	28	-	-	-	28
Other Non-current assets	18	-	1	-	19
Liabilities					
Trade and other payables[2]	-	-	-	229	229
Amounts due to members	-	-	-	10	10
Borrowings	-	-	-	715	720
Members' capital	-	-	-	136	136

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 accruals, which are not financial liabilities and hence excluded from the tables above.*

Fair value measurement

Deloitte LLP's cross-currency swaps 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 are estimated using future cash flows based on contractual interest rates (if applicable) and the foreign exchange rates discounted by the market interest rate and adjusted for counter party credit risk.

The investments in equity instruments are designated at FVTOCI because recognizing short-term fluctuations in these investments in line with a FVTPL approach would not be consistent with Deloitte LLP's strategy of holding these investments for long-term purposes. The fair value of such investments as at 31 May 2020 is £6 million (2019: £1 million).

The fair values of the investments in equity instruments have been determined using the dividend discount model with the key assumption being the discount rate applied to the anticipated future returns. Due to restrictions that are characteristics of the equity instruments that would be transferred to market participants, Deloitte LLP has determined that the fair value is equal to the cost after adjustments to reflect the effect of the restriction.

In respect of the equity investment made in Deloitte NSE Investments Limited ('DNSEI') disclosed in Note 21, a discounted cash flow valuation methodology was used to derive the fair value. In relation to one specific investment made in DNSEI, this was based on an expected return of capital from the underlying project at an estimated future point in time.

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

19. Financial instruments (continued)

Fair value measurement (continued)

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

The fair value of the cross-currency swaps, foreign 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 are 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 2020 and 2019.

Financial risk management objectives

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

Liquidity risk

Ultimate responsibility for liquidity risk management lies with the Deloitte NSE CEO, in combination with the Deloitte NSE Executive Group, which has developed an appropriate liquidity risk management framework for management of Deloitte LLP's funding and liquidity management requirements. Deloitte LLP manages liquidity risk by maintaining adequate banking facilities, reserve borrowing facilities and by continually monitoring forecast and actual cash flows. Liquidity risk arises from Deloitte LLP's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables, lease liabilities, borrowings and members' capital. In response to the anticipated decline in revenues and consequently cash flows from operations compared to the prior year as a result of the general macroeconomic uncertainty caused by the pandemic and broader disruption to economic activity, Deloitte LLP has begun to carefully manage and monitor its liquidity and capital resources. Deloitte LLP has developed performance and liquidity models for a number of scenarios which indicate that Deloitte LLP has sufficient credit facilities and implemented certain cost containment and liquidity enhancement measures, including but not limited to the deferral of capital expenditure, profit distributions to Equity Partners and deferral of UK VAT payments due between 20 March 2020 and 30 June 2020 (such deferred payments were settled in full in July 2020).

Deloitte LLP's financing requirements vary during the year, partly as a result of payments to and on behalf of members and partly as a result of other major payments such as leasehold improvements. See Note 15 for details of Deloitte LLP's borrowings, including available facilities.

Contractual maturity

The following tables detail Deloitte LLP's remaining contractual maturity for its financial liabilities with regard to the repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which Deloitte LLP 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 on the gross undiscounted outflows on the derivatives as they require gross settlement.

Members' capital is included in the earliest time band in which Deloitte LLP can be required to pay the amount.

Based on expectations at the end of the reporting period, Deloitte LLP considers that it is more likely than not that a substantial number of members will not resign triggering repayment of the amounts due within a year.

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For the year ended at 31 May 2020

19. Financial instruments (continued)

Contractual maturity (continued)

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

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

£'million	2019 Gross Contractual cash flows	Within one year	2-5 years	More than 5 years
Non-derivative financial liabilities				
Accruals	131	131	-	-
Trade payables	26	26	-	-
Amounts due to other member firms of the DTTL network	29	29	-	-
Amounts due to Group undertakings	23	23	-	-
Other payables	20	20	-	-
Factoring arrangements	186	186	-	-
Bank loans	405	405	-	-
Private Placement Loan Notes	145	5	140	-
Members' capital	136	8	128	-
Amounts due to members	10	10	-	-
	1,111	843	268	-
Derivative financial instruments				
Cross-currency swaps[1]	106	4	102	-

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

19. Financial instruments (continued)

Credit risk

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

Deloitte LLP's other significant credit risk relates to customer receivables. Refer to Note 13. Customer receivables are spread across diverse industries and Deloitte LLP does not have any significant credit risk exposure to any single industry, counterparty or any group of counterparties having similar characteristics. Deloitte LLP defines counterparties as having similar characteristics if they are related entities. Credit risk for new and existing customers are assessed as part of our customer acceptance processes. In addition, credit risk is managed by maintaining close contact with each customer and by routine billing and cash collection as work is completed.

Interest rate risk

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

Foreign currency risk

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

At 31 May 2020 Deloitte LLP has entered into £67 million of euro and £98 million of US dollar foreign currency forwards to economically manage their exposure to foreign exchange risk arising from receivables and payables. The foreign currency forwards are subject to the same risk management policies as all other derivative contracts. In the current year, net foreign exchange gains of £4 million were recognised in the income statement (2019: loss of £7 million).

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

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

The ineffectiveness during 2020 was less than £1 million and there was no ineffectiveness during 2019 in relation to cross currency swaps.

19. Financial instruments (continued)

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

£'million	2020	2019
Euro	57	31
US dollar	177	123
Swiss franc	(22)	(14)
Others	12	2
	224	142

Foreign currency sensitivity analysis

The following tables detail Deloitte LLP's sensitivity to a 10 percent decrease in the sterling amount against the relevant foreign currencies. 10 percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts the translation at the year-end for a 10% change in exchange rates. A positive number below indicates an increase in profit or equity (as relevant), where the functional currency weakens 10% against the relevant currency.

£'million	2020	2019
Impact on profit		
Euro currency impact	6	3
US dollar currency impact	18	14
Swiss franc currency impact	(2)	(2)
Other foreign currency impact[1]	1	-
	23	15
Impact on equity		
US dollar currency impact	-	-

[1] *Impact for the year is less than £1 million.*

As noted above, Deloitte LLP utilises cross-currency swaps and forward foreign exchange contracts to manage its exposure to fluctuations in exchange rates. At 31 May 2020, Deloitte LLP had Cross-currency swaps in place relating to the Notes (Series A and Series B), whereby Deloitte LLP receives a fixed interest rate of 3.78% and 4.40% on a notional amount of US$144 million and pays between 3.69% and 4.23% on a notional sterling balance of £90 million. The table below summarises the individual cross currency swap rates, notional principal value and fair value relating to these instruments as well as information related to the hedged items. The cross currency swap contract assets are included in derivative financial instruments on the consolidated balance sheet.

Receive fixed USD, pay fixed GBP swap contracts	Notional exchange rate £/US$	Maturity date	Average contract fixed interest rate		Notional principal value		Fair value		Change in fair value used for calculating hedge	
			2020 %	2019 %	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
US$96	1/1.6	10 October 2023	4.2	4.2	60	60	21	15	6	7
US$30	1/1.6	10 October 2023	4.2	4.2	19	19	6	5	1	2
US$18	1/1.6	10 October 2020	3.7	3.7	11	11	3	3	-	1
					90	90	30	23	7	10

19. Financial instruments (continued)

Foreign currency sensitivity analysis (continued)

Hedged item	Change in fair value used for calculating hedge ineffectiveness		Balance accumulated in equity for continuing hedges		Balance accumulated in equity arising from hedge relationship for which hedge accounting no longer applied	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Notes	7	10	(2)	2	-	-

At 31 May 2020, the aggregate amount of losses under the cross-currency swaps recognised in other comprehensive income and accumulated in equity related to the exposure of variability in functional currency equivalent cash flows associated with the foreign currency Notes due to changes in forward exchange rates is a credit of £2 million (2019: debit £2 million). The interest and principal payments will continue through to the year ending 31 May 2024, over which time the amounts deferred in equity will be reclassified to profit and loss.

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

£'million	2020	2019
Balance at the beginning of the year	2	6
Gains arising on changes in fair value of cross-currency swap	(9)	(10)
Cumulative gains reclassified to profit and loss	5	6
Balance at the end of the year	(2)	2

20. Acquisitions

On 1 June 2019, Deloitte LLP entered into an agreement to acquire the entire share capital of ClearViewIP Holdings Limited and its trading subsidiary ClearViewIP Limited for cash consideration of £2 million. ClearView provides advisory services. The acquisition increases Deloitte LLP's investment in its strategically important digital services offering. Deloitte LLP recognised goodwill of £2 million in respect of the acquisition, which is attributable to the inherited workforce and strong trading performance.

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For the year ended at 31 May 2020

21. Related party transactions

Trading transactions

During the years ended 31 May 2020 and 2019, Deloitte LLP entered into the following transactions with related parties. The table also includes outstanding balances as at the end of each reporting year.

£'million	Provision of services to and income from related parties 2020	2019	Purchase of services from related parties 2020	2019	Amounts due from related parties 2020	2019	Amounts due to related parties 2020	2019
Subsidiaries of Deloitte LLP Group	170	205	(38)	(28)	193	217	(144)	(141)
Associates of Deloitte LLP Group	5	7	(33)	(13)	1	12	(3)	(1)
Subsidiaries of Deloitte NSE Group	55	59	(82)	(83)	14	22	(9)	(6)
Associates of Deloitte NSE Group	9	70	(16)	(18)	3	9	(1)	(1)
	239	341	(169)	(142)	211	260	(157)	(149)

The provision of services to and from related parties were at an arm's length basis. The amounts outstanding at year-end are unsecured and are available to be settled in cash. These balances are not interest-bearing. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts due from related parties.

During the year, Deloitte LLP subscribed to different classes of non-voting redeemable shares in DNSEI, a Deloitte NSE group entity set up to hold Deloitte NSE group investments in strategic projects. The total amount subscribed was £13.7 million. For the purposes of these financial statements, an amount of £10.8 million was accounted for as a deemed distribution to Deloitte NSE. The remaining amount of £2.9 million is the fair value of this equity investment.

Parent undertaking and controlling party

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

22. Operating lease commitments

Operating lease arrangements (prior to 1 June 2019)

Prior to the adoption of IFRS 16 on 1 June 2019, lease costs and commitments were accounted for in accordance with IAS 17. For the year ended 31 May 2019, net operating lease rentals of £64m were charged to the income statement, included in other operating costs. These leases are for assets which include buildings, equipment and vehicles. Lease terms ranged from 2 to 20 years. At 31 May 2019, Deloitte LLP had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fell due as follows:

£'million	2019
Within one year	57
Within two to five years	213
In more than five years	424
Total contractual cash flows	694

Notes to the Financial Statements

For the year ended at 31 May 2020

23. Subsidiary undertakings and associates

The principal undertakings of Deloitte LLP are listed below:

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

1 *All interests held by Deloitte LLP are indirect*

Other entities

Deloitte LLP has an interest in an SLP which is not required to present and file accounts at Companies House as it does not represent a qualifying partnership as defined in the Partnership (Accounts) Regulations 2008. See Note 18.

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

24. Subsequent events

Subsequent to the year-end, Deloitte LLP has been refinanced, executing amendments to existing bank facilities and one new bank facility with an existing lender. As at the approval of these financial statements, Deloitte LLP has revolving credit facilities totaling £869 million, of which £20m expires in November 2020, £129 million in September 2021, £150m in May 2022 and £570 million in September 2023. These facilities are considered adequate to finance variations in Deloitte LLP's working capital.

Following a ruling of a Disciplinary Tribunal of the Financial Reporting Council, ('FRC') Deloitte LLP, subsequent to year end, have paid a fine and settled costs of the FRC in relation to audit and review services provided by the Group to Autonomy Corporation plc between 2009 and 2011. This amount has been adequately provided for in these financial statements.

In September, Deloitte LLP announced the creation of a new Audit Governance Board ('AGB'), to provide independent oversight of the UK Audit & Assurance business, with a focus on the policies and procedures that will improve audit quality and ensuring the Financial Reporting Council's principles for operational separation are met. Margaret, Baroness Ford of Cunninghame OBE will become the independent non-executive chair of the AGB.

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For the year ended at 31 May 2020

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

Name	Holding	Holding	Registration	Registered Office
A-Technologies Holdings Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
A-Technologies Limited	Indirect	100%	England & Wales	9 Willowherb Close, Walsall, England, WS5 4RG
ACNE AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE Advertising AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE Film AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE GmbH	Indirect	100%	Germany	Große Hamburger Straße 17, 10115 Berlin, Germany
ACNE Photography AB	Indirect	100%	Sweden	Box 160 69, 103 22 Stockholm
ACNE Production Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
B&W Deloitte London Market Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Brown Street Nominees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
ClearViewIP Holdings Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
ClearViewIP Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
D&T Consulting Holdings Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
D&T Pension Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
D&T Pension Trustees No.2 Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Advisory Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Holdings Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Management Limited	Direct	100%	Guernsey	Regency Court, Glategny Esplanade, St Peter Port, GY1 3HW, Guernsey
Deloitte & Touche Management AG	Indirect	100%	Switzerland	General Guisan-Quai 38, 8002 Zürich, Switzerland
Deloitte & Touche Management Limited	Direct	100%	Jersey	PO Box 403 Gaspé House 66-72 Esplanade St Helier Jersey JE4 8WA
Deloitte & Touche Pension Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte & Touche Services (IOM) Limited	Direct	100%	Isle Of Man	The Old Courthouse, PO Box 250, Athol Street, Douglas, IM99 1XJ, Isle of Man
Deloitte (Liechtenstein) AG	Indirect	49%[2]	Liechtenstein	Landstasse 123, 9495 Triesen, Liechtenstein
Deloitte AG	Indirect	100%	Switzerland	General Guisan-Quai 38, 8002 Zürich, Switzerland
Deloitte CIS Limited	Direct	60%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Consulting AG	Indirect	100%	Switzerland	General Guisan-Quai 38, 8002 Zürich, Switzerland
Deloitte India Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte International Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Limited (Gibraltar)	Direct	100%	Gibraltar	Merchant House,22/24 John Mackintosh Square, Gibraltar
Deloitte Management Services Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte MCS Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte MCSAB Limited	Indirect	100%	Sweden	Tulegatan 15, 113 53, Stockholm, Sweden
Deloitte & Touche Middle East Limited	Indirect	0%[2]	Kingdom of Saudi Arabia	PO 213, Riyadh, 11411, Kingdom of Saudi Arabia
Deloitte Pensions Limited	Direct	100%	England & Wales	Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB
Deloitte Pensions Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte PFP1 LLP	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte PFP2 LLP	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte PMP Starter A Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Professional Services (DIFC) Limited	Direct	50%[2]	United Arab Emirates	Al Fatton Currency House, Building 1, Level 5, Dubai International Financial Centre, PO Box 112865, Dubai, United Arab Emirates
Deloitte SA Services Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Scotland Limited Partnership	Indirect	100%	England & Wales	Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2DB
Deloitte Services Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte SLP Structure 1 Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte SLP Structure 2 Limited	Direct	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Deloitte Total Reward & Benefits Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
DVGES Limited	Direct	63%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Island Trustees (Midlands) Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR

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Name	Holding	Holding	Registration	Registered Office
Island Trustees (Northern) Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Island Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Island Trustees South West Limited	Indirect	100%	England & Wales	3 Rivergate, Temple Quay, Bristol, BS1 6GD
J.G.H.T. Nominees	Indirect	60%[1]	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Market Gravity Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Market Gravity Proposition Design Canada Ltd	Indirect	100%	Canada	C/O Wills & Murphy, 1800-1631 Dickson Avenue, Kelowna, BC V1Y OB5, Canada
Merchant Corporate Services Limited	Indirect	100%	Gibraltar	Merchant House,22/24 John Mackintosh Square, Gibraltar
Monitor Company Europe	Indirect	92%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Monitor Company UK Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Monitor Deloitte Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Norstrand Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Praxis Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Praxis Software Engineering Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Praxis South East Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Praxis Systems Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Praxis Warwick Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Program Validation Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Nominees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Trustee Company	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Trustee Company Birmingham	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spero Trustee Company Bristol Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Spicers Corporate Finance Limited	Indirect	97%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Stonecutter Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Stonecutter Nominees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Stonecutter Trustees Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR
Total Resource Management Limited	Indirect	100%	England & Wales	Hill House, 1 Little New Street, London, EC4A 3TR

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

[2] *Even though our proportion of shares are 50% or less, Deloitte LLP does have control over these entities.*