

Company Registration No. 03311052

DELOITTE MCS LIMITED

Annual report and financial statements

For the year ended 31 May 2019



ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Bunting
S Griggs
D A Noon

SECRETARY

Stonecutter Limited
Hill House
1 Little New Street
London
EC4A 3TR

REGISTERED OFFICE

Hill House
1 Little New Street
London
EC4A 3TR

BANKERS

Bank of Scotland
33 Old Broad Street
London
EC2N 1HZ

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU

STRATEGIC REPORT

The Directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

REVIEW OF THE BUSINESS

The principal activity of the Company is the provision of consulting services. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

During the year, the Company purchased certain administrative services, including the provision of premises, from Deloitte LLP.

The profit before tax was £86,330,000 (2018: £78,986,000).

At 31 May 2019 shareholders' funds were £74,078,000 (2018: £70,212,000).

Overall, the Directors consider the performance of the Company satisfactory and expect it to continue to perform satisfactorily.

KEY PERFORMANCE INDICATORS

Key performance indicators for the Company are turnover, which increased 11.6% from £851,475,000 to £950,276,000 and profit before tax which increased 9.3% from £78,986,000 to £86,330,000. The key non-financial performance indicator for the Company is staff numbers, which increased by 5.1% to 4,079 from 3,882.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's process of risk acceptance and risk management is addressed by the Enterprise Risk Framework ('ERF') of Deloitte NSE LLP (formerly Deloitte NWE LLP) (Deloitte NSE LLP and its subsidiaries are hereinafter referred to as 'Deloitte NSE'), the ultimate holding and controlling party of the Company.

The ERF sets out the Deloitte NSE Executives' assessment of the risks facing Deloitte NSE, and specifically, those that could impact on the ability of Deloitte NSE to meet its strategy and those that could impact upon the reputation of Deloitte NSE.

Competitive pressure within the UK is a continuing risk for the Company, which could result in it losing revenue to its key competitors. The Company looks to manage this risk by focusing on delivering quality services to clients and achieving high standards in everything it does.

On 23 June 2016, a referendum in the United Kingdom returned a result in favour of leaving the European Union (commonly referred to as 'Brexit'). Notification under Article 50 of the Lisbon Treaty, which triggered the UK's withdrawal within two years, was given on 29 March 2017, although the UK's exit date has subsequently been extended beyond the original two years to 31 January 2020. The longer term political and economic effects of the referendum result remain unclear at the date of these financial statements. A dedicated Brexit team under the leadership of Deloitte's UK and NSE Chief Operating Officer will continue to evaluate the impact of Brexit on Deloitte NSE.

Revenue principally arises in the UK. Therefore, the Company is exposed to movements in the Euro, US Dollar and Swedish Krona exchange rates on turnover generated in these currencies. The Company accepts this risk and does not enter into any hedge contracts, as it does not consider this risk to be material to the business.

The Company has no third party debt and, therefore, no interest rate exposure.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit risk is primarily attributable to the Company's trade debtors. An allowance for impairment is made whenever there is an identified loss event. The credit risk on bank balances and amounts due from other group undertakings is limited because the counterparties have high credit ratings.

In order to maintain liquidity to ensure that sufficient funds are available, the Company has sufficient lines of credit with the bankers of Deloitte LLP, a fellow group undertaking.

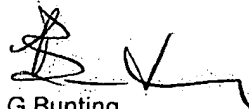
Risks are discussed in the Deloitte LLP Audit Transparency Report for the year ended 31 May 2019, which does not form part of this report.

FUTURE DEVELOPMENTS

There are no events since the balance sheet date which would require disclosure in these financial statements.

The Directors expect the level of activity during 2020 to remain consistent with 2019.

Approved by the Board of Directors
and signed on behalf of the Board of Directors:



G Bunting
Director

24 January 2020

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 May 2019.

DIRECTORS AND THEIR INTERESTS

The names of the Directors are shown below. All Directors served throughout the year and to the date of this report:

G Bunting
S Griggs
D A Noon (appointed 1 June 2019)
P A Robinson (resigned 31 May 2019)

No Director had any beneficial interest in the share capital of the Company or any group company except for the fact that all of the Directors are members of Deloitte NSE LLP, the ultimate controlling party at 31 May 2019, and, therefore, had an indirect beneficial interest in the share capital of the Company at 31 May 2019.

DIVIDENDS

The Directors have not recommended a final dividend (2018: £nil). An interim dividend of £15.36 per ordinary share, amounting to a total dividend of £65,450,000, was declared during the current year (2018: £59,500,000).

ENVIRONMENT

Deloitte NSE 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 NSE's activities. The Company operates in accordance with Deloitte NSE's policies, which do not form part of this report. Initiatives designed to minimise Deloitte NSE's impact on the environment include recycling, waste management, energy procurement, consumption and greening the supply chain.

RESEARCH AND DEVELOPMENT

The Company has undertaken various complex technological IT projects including designing, building and implementing technology solutions. Some of these projects qualify for "Research and Development Expenditure Credits" ("RDEC"), therefore claims have been prepared in accordance with CTA 2009, Part 3, Chapter 6A.

DIRECTORS' INDEMNITY

Deloitte LLP, a fellow group undertaking, has made qualifying third party indemnity provisions for the benefit of its Directors that remain in force at the date of this report.

EMPLOYEES

Details of number of employees and related costs can be found in Note 4 to the financial statements.

DIRECTORS' REPORT (continued)

DISABLED EMPLOYEES

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy, wherever practical, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion, wherever appropriate.

EMPLOYEE INVOLVEMENT

The Company seeks to inform and consult with managers and staff regularly by way of in-house publications, informal meetings, training courses and staff development seminars, so as to involve them in the success of the business and to reward their efforts accordingly. All employees are aware of the financial and economic performance of their business units and Deloitte LLP and are rewarded according to the results of both through an annual bonus scheme.

BRANCHES OUTSIDE THE UNITED KINGDOM

The Company has permanent establishments for tax purposes in Belgium, Denmark, France, India, Ireland, the Netherlands and the USA.

DISCLOSURE AS PART OF STRATEGIC REPORT

Information regarding the Company's likely future developments, risk management objectives and policies and events after balance sheet date, have been disclosed in the Strategic Report on pages 2 to 3.

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

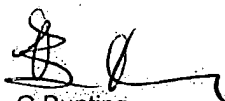
The auditor, BDO LLP, have indicated their willingness to continue in office as auditor and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

DIRECTORS' REPORT (continued)

REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in Financial Reporting Standard 102 issued by the Financial Reporting Council, paragraph 1.12.

Approved by the Board of Directors
and signed on behalf of the Board of Directors:

A handwritten signature in black ink, appearing to be 'G Bunting', written over a horizontal line.

G Bunting
Director

24 January 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELOITTE MCS LIMITED

Opinion

We have audited the financial statements of Deloitte MCS Limited (the 'Company') for the year ended 31 May 2019 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 May 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company 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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELOITTE MCS LIMITED (continued)

Other information (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 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
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors 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 Directors 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 Directors are responsible for assessing the Company'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 Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DELOITTE MCS LIMITED (continued)

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 at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Andrew Radford (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

24 January 2020

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

PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2019

	Note	2019 £'000	2018 £'000
TURNOVER	3	950,276	851,475
Staff costs	4	(361,538)	(336,010)
Depreciation, amortisation and impairment	5	(4,542)	(9,488)
Other operating expenses		<u>(497,532)</u>	<u>(426,288)</u>
OPERATING PROFIT	5	86,664	79,689
Finance costs	6	(334)	(703)
PROFIT BEFORE TAXATION		86,330	78,986
Tax on profit	7	(17,014)	(13,718)
PROFIT FOR THE FINANCIAL YEAR		<u>69,316</u>	<u>65,268</u>

Profit for the financial year represents total comprehensive income as there is no other comprehensive income in the current or preceding year.

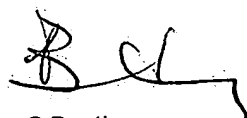
All amounts are derived from continuing activities.

BALANCE SHEET
As at 31 May 2019

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Intangible assets	9	8,056	11,125
Tangible assets	10	526	3,427
Investments	11	20,671	18,236
Loan receivables	13	2,382	-
		<hr/> 31,635	<hr/> 32,788
CURRENT ASSETS			
Debtors	14	313,752	245,896
Deferred tax	16	859	1,047
Cash at bank and in hand		<hr/> 1,658	<hr/> 8,511
		316,269	255,454
CREDITORS: amounts falling due within one year	15	(273,682)	(210,441)
		<hr/> 42,587	<hr/> 45,013
NET CURRENT ASSETS			
		<hr/> 74,222	<hr/> 77,801
TOTAL ASSETS LESS CURRENT LIABILITIES			
Provisions	17	(144)	(7,589)
		<hr/> 74,078	<hr/> 70,212
NET ASSETS			
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Called up share capital	18	4,261	4,261
Profit and loss account		<hr/> 69,817	<hr/> 65,951
		74,078	70,212
SHAREHOLDERS' FUNDS		<hr/> <hr/>	<hr/> <hr/>

These financial statements of Deloitte MCS Limited, registered number 03311052, were approved by the Board of Directors and authorised for issue on 24 January 2020.

Signed on behalf of the Board of Directors



G Bunting
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 May 2019

	Called up share capital 2019 £'000	Profit and loss account 2019 £'000	Total 2019 £'000	Called up share capital 2018 £'000	Profit and loss account 2018 £'000	Total 2018 £'000
At 1 June	4,261	65,951	70,212	4,261	60,183	64,444
Profit and total comprehensive income for the year	-	69,316	69,316	-	65,268	65,268
Dividends on equity shares (Note 8)	-	(65,450)	(65,450)	-	(59,500)	(59,500)
At 31 May	4,261	69,817	74,078	4,261	65,951	70,212

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

1. ACCOUNTING POLICIES

General information

Deloitte MCS Limited (the 'Company') is a private Company limited by shares. The Company is registered in England and Wales in the United Kingdom under the Companies Act, and the address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 3.

The immediate parent company is D&T Consulting Holdings Limited. The largest and smallest group for which consolidated financial statements are prepared is that headed by Deloitte NSE LLP, the ultimate parent undertaking and controlling party at 31 May 2019, which consolidates the results of the Company. The financial statements of Deloitte NSE LLP are publicly available and can be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

Statement of compliance and measurement basis

These financial statements are prepared in compliance with Financial Reporting Standard 102 ('FRS 102') issued by the Financial Reporting Council. The financial statements have been prepared under the accruals concept and in accordance with the historical cost convention unless otherwise stated.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Presentation and functional currency

The Company's financial statements are presented in pounds sterling.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Exemptions for qualifying entities under FRS 102

The Company meets the definition of a qualifying entity under FRS 102 and has, therefore, taken advantage of certain disclosure exemptions, subject to certain conditions, which have been complied with.

The Company has taken advantage of the following exemptions:

- a) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows of Deloitte NSE LLP, includes the Company cash flows;
- b) from disclosing the Company key management personnel compensations as required by FRS 102 paragraph 33.7;
- c) from disclosing a reconciliation of the number of shares outstanding at the beginning and end of the period as required by FRS 102 paragraph 4.12(a)(iv); and
- d) from disclosure requirements relating to financial instruments.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 May 2019****1. ACCOUNTING POLICIES (continued)****Consolidation**

The Company has not prepared group financial statements because, at the year-end, the Company is a wholly owned subsidiary 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 the Company are consolidated into the financial statements of Deloitte NSE LLP.

These financial statements present information about the Company as an individual undertaking and not about its group.

Intangible assets

Intangible assets are stated at cost less any accumulated amortisation and accumulated impairment losses. The depreciable amount of intangible assets is amortised on a straight line basis over the estimated useful lives of the assets which are as follows:

Goodwill	5 to 7 years
Brand and relationships	5 to 10 years
IT software	3 years

IT assets under construction ('AUC') are not amortised.

Tangible assets

Tangible assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all assets, except freehold land, on a straight line basis over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold property	Over 50 years
Fixtures and fittings	10% to 20% per annum
Leasehold improvements	Period of lease

Investments in subsidiaries and associates

Investments in subsidiaries and associates are stated at cost less impairment.

Turnover

Turnover represents amounts recoverable from clients for professional services provided during the year. It is measured at the fair value of consideration received or receivable on each client assignment, including recoverable expenses but excluding Value Added Tax.

Turnover is recognised in the period in which services are rendered by reference to the stage of completion of the contract determined by the value of the services provided at the balance sheet date as a proportion of the total value of the engagement. Turnover is only recognised where the Company has a contractual right to receive consideration for work undertaken, the amount can be reliably measured and it is probable that future economic benefits will flow. Where payments are received from customers in advance of services provided, the amounts are deferred and included as part of creditors due within one year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2019

1. ACCOUNTING POLICIES (continued)

Amounts to be billed to clients

Provision is made against unbilled amounts on those engagements where the right to receive payment is contingent on factors outside the control of the Company. Unbilled revenue is included in debtors.

Foreign currency

Transactions undertaken in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities outstanding at the balance sheet date are reported at the exchange rate at the balance sheet date. All remeasurement differences are recorded in the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and, therefore, recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by balance sheet date that are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax is measured on a non-discounted basis.

Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved. Interim dividend distributions are recognised in the period in which the dividend is declared.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2019

1. ACCOUNTING POLICIES (continued)

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Company provides retirement benefits through defined contribution and defined benefit schemes. Payments to defined contribution schemes are charged to the profit and loss account when employees have rendered services entitling them to the contributions. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The Company provides retirement benefits on a defined benefit basis through its participation in the Deloitte UK Pension Scheme (the 'Scheme'). Deloitte LLP, a fellow group undertaking, is legally responsible for the Scheme and records the net defined benefit cost of the Scheme in its financial statements.

There is no contractual agreement or stated policy for charging the net defined benefit cost of the Scheme as a whole to individual group entities. The Company recognises a cost equal to its contribution payable, if any, for the period.

Cash at bank and in hand

Cash at bank and in hand comprises cash in hand, on demand deposits and other short term highly liquid assets.

Financial guarantees

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

- a) the amount of the obligation under the contract, as determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; or
- b) the amount initially recognised less, where appropriate, cumulative amortisation.

Financial instruments

Financial assets

Financial assets are initially recognised at fair value plus transaction costs. All financial assets are classified as loans and receivables and have fixed or determinable payments that are not quoted in an active market. Financial assets are subsequently measured at amortised cost using the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest cost is recognised by applying the effective interest rate, except for short-term payables when the recognition of interest would be immaterial.

Business combinations

Business combinations are accounted for by applying the purchase method.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

1. ACCOUNTING POLICIES (continued)

Business combinations (continued)

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Goodwill is amortised over its expected useful life. Where the Company is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding seven years.

2. CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Company's accounting policies, which are described in Note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

In determining revenue on client engagements the Company makes certain estimates as to the stage of completion of those assignments. The Company estimates the remaining time and external costs to be incurred in completing the assignments and the client's willingness and ability to pay for the services provided. A different assessment of the outturn on an assignment may result in a different value being determined for revenue and also a different value being determined for unbilled revenue for client work.

3. TURNOVER

An analysis of revenue by geography is as follows:

	2019 £'000	2018 £'000
United Kingdom	738,701	554,665
Europe	122,784	161,032
North America	54,507	91,911
Rest of the World	34,284	43,867
	<hr/> 950,276	<hr/> 851,475

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

4. STAFF NUMBERS AND COSTS

Employees

The average monthly number of people during the year was:

	2019 No.	2018 No.
Fee earning staff	3,925	3,720
Support staff	154	162
	<hr/> 4,079	<hr/> 3,882

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

	2019 £'000	2018 £'000
Salaries	290,149	271,023
Social security costs	34,315	31,826
Other pension costs (Note 20)	37,074	33,161
	<hr/> 361,538	<hr/> 336,010

Directors

The Directors were remunerated as members of Deloitte LLP in the current and preceding financial year. The Directors did not receive any remuneration, from any source, for their qualifying services as Director of the Company during the current or preceding financial year.

Research and development cost

Staff costs include costs which qualify for "Research and Development Expenditure Credits" (RDEC) CTA 2009, Part 3, Chapter 6A.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2019 £'000	2018 £'000
Expenses and sub-contractor costs on client assignments	228,074	187,119
Depreciation and amortisation on owned assets:		
- amortisation of intangible assets (Note 9)	3,377	3,233
- depreciation of tangible fixed assets (Note 10)	1,165	4,451
Impairment of owned assets - tangible assets	-	1,804
Loss on disposal of tangible assets	1,736	-
Impairment of owned assets - investments	-	33
Operating lease payments:		
- land and buildings	6,947	9,282
Service charge	94,415	83,041
Net foreign exchange (gain) / loss	(3,265)	2,383

Audit fees for the current and previous year have been borne by Deloitte LLP, a fellow group undertaking, and not recharged.

The service charge includes a charge for the services of the members of Deloitte LLP.

Sub-contractor costs on client assignments includes expenses which qualify for RDEC, CTA 2009, Part 3, Chapter 6A.

6. FINANCE COSTS

	2019 £'000	2018 £'000
Unwinding of discount	353	708
Interest income	(19)	(5)
	334	703

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

7. TAX ON PROFIT

The tax charge comprises:

	2019 £'000	2018 £'000
Current tax on profit		
UK corporation tax	17,172	17,523
Adjustments in respect of prior years	(346)	(3,051)
Foreign tax in excess of UK tax rates	-	42
Total current tax	16,826	14,514
Deferred tax		
Origination and reversal of timing differences	(102)	(389)
Adjustment in respect of prior periods	189	(407)
Effect of changes in tax rates	101	-
Total deferred tax	188	(796)
Total tax on profit	17,014	13,718

The standard rate of tax applied to reported profit on ordinary activities is 19% (2018: 19%).

There is no expiry date on timing differences. There are no unused tax losses or tax credits.

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to profit before tax is as follows:

	2019 £'000	2018 £'000
Profit before tax	86,330	78,986
Tax on profit at standard UK corporation tax rate of 19% (2018: 19%)	16,403	15,007
Effects of:		
- disallowable expenditure	574	1,561
- income not taxable	98	-
- effect of different tax rates on activities in other jurisdiction	(19)	(28)
- adjustments to tax charge in respect of previous periods	(157)	(2,865)
- tax rate changes	101	-
- foreign tax in excess of UK tax rates	-	42
- other movements	14	1
Total tax charge for year	17,014	13,718

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

8. DIVIDENDS ON EQUITY SHARES

	2019 £'000	2018 £'000
Interim dividend for the year ended 31 May 2019 of £15.36 per ordinary share declared 10 May 2019 (2018: £13.97 per ordinary share declared 30 April 2018)	65,450	59,500
Distributions to equity holders in the year	65,450	59,500

9. INTANGIBLE ASSETS

	Goodwill £'000	Brand and relationships £'000	IT software £'000	IT AUC £'000	Total £'000
Cost					
At 1 June 2018	15,138	3,587	-	1,000	19,725
Additions	-	-	308	-	308
Transfers	-	-	1,000	(1,000)	-
At 31 May 2019	15,138	3,587	1,308	-	20,033
Amortisation					
At 1 June 2018	7,413	1,187	-	-	8,600
Charge for the year	2,522	528	327	-	3,377
At 31 May 2019	9,935	1,715	327	-	11,977
Net book value					
At 31 May 2019	5,203	1,872	981	-	8,056
At 31 May 2018	7,725	2,400	-	1,000	11,125

As at 31 May 2019, Goodwill relating to Kaisen Consulting Limited had an estimated remaining useful life of one year and Goodwill relating to Market Gravity Limited had an estimated remaining useful life of three years.

Amortisation charge for the year is included in depreciation, amortisation and impairment in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2019

10. TANGIBLE ASSETS

	Freehold property £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 June 2018	1,198	1,617	42,315	45,130
Disposals	-	(752)	(42,142)	(42,894)
At 31 May 2019	1,198	865	173	2,236
Depreciation				
At 1 June 2018	595	1,439	39,669	41,703
Charge for the year	106	103	956	1,165
Disposals	-	(692)	(40,466)	(41,158)
At 31 May 2019	701	850	159	1,710
Net book value				
At 31 May 2019	497	15	14	526
At 31 May 2018	603	178	2,646	3,427

Freehold property includes freehold land of £262,000 (2018: £262,000) which is not depreciated.

Depreciation charge for the year is included in depreciation, amortisation and impairment in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

11. INVESTMENTS

	Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
Cost			
At 1 June 2018	27,362	793	28,155
Additions (Note 12)	-	4,861	4,861
Disposals	-	(2,470)	(2,470)
At 31 May 2019	27,362	3,184	30,546
Provision			
At 1 June 2018	9,875	44	9,919
Impairment charge reversal	-	(44)	(44)
At 31 May 2019	9,875	-	9,875
Net book value			
At 31 May 2019	17,487	3,184	20,671
At 31 May 2018	17,487	749	18,236

The Company has investments in the following subsidiary undertakings, associates and other significant investments all of which are registered in England and Wales except where otherwise stated.

Direct subsidiary undertakings

	Registered office	Activity	Holding
ACNE AB	Box 160 69, 103 22 Stockholm, Sweden.	Trading company	100.0%
Market Gravity Limited	Hill House, 1 Little New Street, London, EC4A 3TR.	Non-trading company	100.0%
Monitor Deloitte Limited	Hill House, 1 Little New Street, London, EC4A 3TR.	Holding company	100.0%
Praxis Software Engineering Limited	6 Snow Hill, London, EC1A 2AY.	In liquidation	100.0%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

11. INVESTMENTS (continued)

Indirect subsidiary undertakings

	Registered office	Activity	Holding
ACNE Advertising AB	Box 160 69, 103 22 Stockholm, Sweden.	Trading company	100.0%
ACNE GmbH	Große Hamburger Straße 17, 10115 Berlin, Germany.	Non-trading company	100.0%
ACNE Film AB	Box 160 69, 103 22 Stockholm, Sweden.	Trading company	100.0%
ACNE Photography AB	Box 160 69, 103 22 Stockholm, Sweden.	Trading company	100.0%
ACNE Production Limited	Hill House, 1 Little New Street, London, EC4A 3TR.	Trading company	100.0%
Market Gravity Proposition Design Canada Limited	C/O Wills & Murphy, 1800-1631 Dickson Avenue, Kelowna, BC V1Y 0B5, Canada.	Non-trading company	100.0%
Monitor Company Europe *	Hill House, 1 Little New Street, London, EC4A 3TR.	Non-trading company	92.4%
Monitor Company UK Limited	Hill House, 1 Little New Street, London, EC4A 3TR.	Holding company	100.0%
Praxis Limited	6 Snow Hill, London, EC1A 2AY.	In liquidation	100.0%
Praxis South East Limited	6 Snow Hill, London, EC1A 2AY.	In liquidation	100.0%
Praxis Systems Limited	6 Snow Hill, London, EC1A 2AY.	In liquidation	100.0%
Praxis Warwick Limited	6 Snow Hill, London, EC1A 2AY.	In liquidation	100.0%
Program Validation Limited	6 Snow Hill, London, EC1A 2AY.	In liquidation	100.0%

* DCSH Limited currently holds 7.6% shares in Monitor Company Europe for the benefit of the Company. The legal transfer is in the process of being completed.

Direct associated undertakings

	Registered office	Activity	Holding
DTME 2 LLP	Gategny Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 4EW.	Trading partnership (registered in Guernsey)	N/a*

* The Company has entered into an agreement to subscribe partnership capital to DTME 2 LLP. Once such partnership capital has been fully repaid, the agreement entitles the Company to share in the profits of DTME 2 LLP.

12. ACQUISITIONS AND DISPOSALS

Mobiento AB

On 18 June 2018 the Company acquired additional shares in Mobiento AB, taking the Company's total shareholding from 36.5% to 50.0% at a cost of £1,677,485 (SEK 19,471,235).

On 26 June 2018 the Company disposed of its 50.0% interest in Mobiento AB to Deloitte AB in return for a ten year promissory loan note (Note 13). The disposal did not result in any gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

12. ACQUISITIONS AND DISPOSALS (continued)

DTME 2 LLP

On 1 June 2018 the Company agreed to contribute up to £11,840,859 (US\$ 15,000,000) of partnership capital in DTME 2 LLP, a limited liability partnership through which the Company participates in a Middle East consultancy business. At 31 May 2019, the Company has contributed £3,183,826 (US\$ 4,128,790) towards the capital of DTME 2 LLP. In the next 12 months additional partnership capital contributions of £2,992,746 (\$3,791,210) are expected.

Contingent Liabilities

The Company has a contingent liability in relation to the prior year acquisition of ACNE AB, for future post-combination service payments. These payments are contingent upon the relevant parties retaining their employment status and certain performance targets being achieved by the ACNE group. The current value of the contingent liability is estimated to be within the range of £nil and £7,000,000 (SEK nil and SEK 85,000,000).

Funding obligations

On 20 November 2018, the Company committed to provide loans of up to £16,735,362 (US\$ 21,993,613) to fund the working capital requirements of the Middle East consultancy business controlled by DTME 2 LLP. As at 31 May 2019 the Company has not provided any loans under this commitment. In the next 12 months the working capital loan is expected to be fully drawn down.

13. LOAN RECEIVABLES

On 26 June 2018, a 10 year promissory loan note for £2,463,153 (SEK 28,892,510) was agreed with Deloitte AB following the disposal of the Company's investment in Mobiento AB (Note 12).

The loan accrues interest at LIBOR + 1% per annum.

14. DEBTORS

	2019 £'000	2018 £'000
Amounts to be billed to clients	126,438	79,332
Client debtors	140,340	102,573
Amounts due from other group undertakings	-	35,709
Amounts due from other member firms of Deloitte Touche Tohmatsu Limited ('DTTL')	37,437	22,233
Other debtors	8,720	4,429
Prepayments and accrued income	817	1,620
	313,752	245,896

Amounts due from other group undertakings and other member firms of DTTL have no specified interest rate and are payable on demand.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2019

15. CREDITORS: amounts falling due within one year

	2019	2018
	£'000	£'000
Progress billings for client work	52,516	26,903
Trade creditors	1,881	3,099
Amounts owed to other group undertakings	150,692	130,730
Amounts due to other member firms of DTTL	2,992	5,628
Corporation tax	4,977	3,751
Social security and other taxes	9,073	9,678
Accruals and deferred income	50,842	30,377
Other creditors	709	275
	<hr/>	<hr/>
	273,682	210,441
	<hr/>	<hr/>

Amounts owed to other group undertakings and other member firms of DTTL have no specified interest rate and are payable on demand.

16. DEFERRED TAXATION

	2019	2018
	£'000	£'000
Deferred tax assets		
Deferred taxation		
At 1 June	1,047	251
Origination and reversal of timing differences	102	389
Effect of changes in tax rates	(101)	-
Adjustment in respect of prior periods	(189)	407
	<hr/>	<hr/>
At 31 May	859	1,047
	<hr/>	<hr/>
Deferred tax consists of		
Fixed asset timing differences	859	1,047
	<hr/>	<hr/>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

17. PROVISIONS

	Property provision £'000
At 1 June 2018	7,589
Unwinding of discount	28
Utilisation of provision	(3,519)
Released unused during the year	(3,954)
	<hr/>
At 31 May 2019	144
	<hr/>

Property provision

Provisions are recognised for obligations to restore properties to their original condition upon vacating them, where such 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 profit and loss account.

18. CALLED UP SHARE CAPITAL AND RESERVES

	2019 £'000	2018 £'000
Called up, allotted and fully paid:		
4,260,526 ordinary shares of £1 each	4,261	4,261
	<hr/>	<hr/>

The Company has one class of ordinary shares which carries no right to fixed income.

The profit and loss account represents the cumulative profit or loss net of dividends paid.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 May 2019

19. FINANCIAL COMMITMENTS

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings 2019 £'000	Land and buildings 2018 £'000
1 year	32	6,012
2 - 5 years	21	425
After 5 years	-	-
	<hr/> 53	<hr/> 6,437

Guarantees

The Company provides financial guarantees on the bilateral banking facilities held by fellow group undertaking, Deloitte LLP. The carrying value of the aforementioned guarantee is £nil (2018: £nil).

20. EMPLOYEE BENEFITS

Defined contribution schemes

Deloitte LLP operates a defined contribution scheme, the Deloitte Pension Plan ('DPP'), 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 pension, 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 pension arrangement of the DPP.

The total cost charged as an expense of £37,074,000 (2018: £33,161,000) represents employer contributions payable to these schemes by the Company. As at 31 May 2019, and 2018, the Company had no contributions payable to the DPP.

Defined benefit schemes

Deloitte LLP provides retirement benefits on a defined benefits basis through the Deloitte UK Pension Scheme (the 'Scheme') of which the Company is a participating employer. The Scheme closed to future accrual for remaining active members with effect from 31 January 2013. Under the Scheme, employees 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 and present 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2019

20. EMPLOYEE BENEFITS (continued)

Defined benefit schemes (continued)

The Trustee of the UK Scheme and Deloitte LLP have agreed a recovery plan which includes payments of £2.0 million per month from October 2018 to August 2022 inclusive. Deloitte LLP has also agreed to pay a monthly contribution of £2.0 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.

There is no contractual agreement or stated policy for charging the cost of the UK Scheme to the Company or a policy for determining the contribution to be paid by the Company. During the year, the Company has not made any contribution to the UK Scheme.

The funding requirements will be reviewed when the result of the next full triennial actuarial valuations are available and are also subject to review during the interim valuation period based on developments in the UK Scheme.

The most recent full triennial actuarial valuation was carried out as at 30 September 2017.

Full details of the net liabilities of the total scheme and the assumptions used are included in the notes of Deloitte LLP financial statements.