Company Registration No. 03311052

DELOITTE MCS LIMITED

Annual report and financial statements

For the year ended 31 May 2020

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

CONTENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Bunting
S Griggs
D L Ward

SECRETARY

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

REGISTERED OFFICE

Hill House
1 Little New Street
London
EC4A 3TR

BANKERS

HSBC Bank USA
452 5th Avenue
New York
NY 10018

Bank of Ireland
2 College Green
Dublin
D02 VR66

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 Company's trading results are set out in the Profit and Loss account on page 16.

The turnover increase resulted from growth across a broad range of industry Sectors, in particular, the Public Sector. All constituent businesses recorded positive growth in the year. There was particularly high demand for digital services and the Company also experienced a high level of growth in its Strategy and Analytics business.

The higher staff costs resulted from an increase in the average monthly headcount from 4,079 employees in prior year to 4,915 employees in the current year. Average staff cost increased by only 1.2% compared to prior year, as a result of careful management of practice shape and a reduced bonus accrual at the end of the year.

The increase in total operating expenses, at 9.5%, compared favourably with the 9.0% increase in turnover.

Overall, the Directors consider the Company's position at the end of the financial year is adequate and the performance of the Company satisfactory in light of Covid-19 and expect it to continue to perform satisfactorily.

SECTION 172(1) STATEMENT

This statement describes how the members of the board of Directors of the Company (the "Board") fulfil their obligations under section 172 of the Companies Act 2006.

Section 172 requires that a Director of a Company act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following factors:

a) the likely consequences of any decision in the long term;
b) the interests of the Company's employees;
c) the need to foster the Company's business relationships with suppliers, clients and others;
d) the impact of the Company's operations on the community and the environment;
e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
f) The need to act fairly as between members of the company.

In discharging their duty under section 172, the Directors have regard to the factors set out above, as well as to other factors which they consider relevant to the decision being made. The Directors acknowledge that stakeholders may have differing views about various decisions taken by the Board and engage with stakeholders on these matters. For example, all of the Company's stakeholders were affected in some way by COVID-19. In particular, the Company's top priority of protecting its employees by encouraging all employees to work remotely was, in certain instances, at odds with the Company's

SECTION 172(1) STATEMENT (continued)

commitment to minimise service disruption to its clients. Each instance of conflicting priorities was resolved on a case-by-case basis and always in consultation with both affected employees and clients.

Considering the long-term consequences of decision-making

In setting strategy, and considering risk issues, the Board's decision-making is focused around ensuring that the Company maintains a reputation for providing high quality services to its clients and the Company's financial performance is sustainable in the long term. Throughout the year, the Board reviews the Company's principal risks and takes a keen interest in how risks rise and fall in importance and what measures the Company is taking to mitigate the near- and longer-term risks to the business.

Stakeholders

This section describes the importance of the Company's key stakeholders and some of the engagement activity that takes place with them.

Stakeholder Group	Why is this stakeholder critical to the Company's business?	What engagement activity takes place with this stakeholder?
Clients	The principal activity of the Company is the provision of consulting services. Understanding the needs of the Company's clients in a dynamic and changing marketplace helps it to provide more relevant and effective services.	Engagement with the Company's clients is led by Account Teams who obtain regular feedback through a variety of mechanisms.
Employees	The Company's professionals are its most valuable asset and key to its success. They are responsible for performing and managing the services that the Company provides to its clients.	The Company offers a range of communications, engagement and development opportunities for its employees which are designed to encourage maximum engagement. Examples include regular town halls featuring senior leaders; regular engagement surveys; a strong focus on inclusion, flexibility and wellbeing; and additional measures to support and equip senior leaders. There has been a special focus on these types of items most recently during the COVID-19 pandemic. As an example, recent surveys have included a particular focus on the change in working practices resulting from the Company's response to the COVID-19 pandemic. Where the Board is not directly involved in these activities, mechanisms are in place to feedback relevant insights to inform Board decision-making. In addition to the efforts highlighted above, the Company has kept its professionals up to date on matters related to promotion, progression, career development, and crisis support throughout the pandemic.
Suppliers	The services the Company provides to its clients depend on services and supplies it procures from different organisations.	Deloitte LLP, a fellow group entity, engages and selects suppliers using an objective, standardised process and utilises a business relationship management tool to track and manage such relationships. During the supplier selection process and during the course of the relationship, the Company engages with suppliers to understand their business requirements and points of view. Further, all of the Company's suppliers are

Stakeholder Group	Why is this stakeholder critical to the Company's business?	What engagement activity takes place with this stakeholder?
		provided with a Supplier Code of Conduct which outlines expectations of suppliers and provides a channel to engage the Company's Ethics Officer, if needed. The Company understands the importance of fostering a positive relationship with its suppliers and has systems and processes in place to ensure suppliers are paid in a timely manner.
Communities	The Company is committed to addressing some of society's most pressing challenges with the belief that business is at its best when it helps to build a better society. By supporting local communities, the Company is able to bring this belief to life.	The Board supports the Company's goals and initiatives with regard to supporting local communities by providing the Company's employees with opportunities to engage in a range of societal and charitable activities that seek to enhance the communities in which we live and work. A further description of these activities is located at the Deloitte LLP 2020 Annual Report website at: https://www2.deloitte.com/uk/en/pages/annual-report-2020/our-purpose-in-action.html.

Environment

The Board believes businesses have a critical responsibility to help address the sustainability of our planet. Environmental sustainability is important to the Company and is a critical component of its operations, strategic initiatives and senior-level agendas. For example, the Company has adopted carbon reduction goals addressing buildings' energy use and travel, and offsets air travel through the purchase of third-party verified carbon credits. The Board is committed to a long-term sustainability journey in which the Company addresses its environmental impacts.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Company provides services to a wide range of clients and is part of Deloitte NSE LLP (Deloitte NSE LLP and its subsidiaries are hereinafter referred to as 'Deloitte NSE'), a member firm of Deloitte Touche Tohmatsu Limited ('DTTL'). Each of the member firms of DTTL is required to conduct itself in such a manner as to advance the good reputation of the Deloitte network. In light of its business and ownership, the Company aligns itself with those goals, and the Board therefore takes all decisions with the aim of maintaining the Company's reputation for high standards of business conduct. The Board promotes a culture of upholding the highest standards of business conduct and regulatory conduct and ensures these core values are communicated to the Company's employees through the organisation's intranet and regular email communications and embedded in the Company's policies and procedures and employee induction and training programmes.

STRATEGIC REPORT (continued)

The need to act fairly as between members

The Company's direct sole shareholder is D & T Consulting Holdings Limited and the ultimate parent undertaking and controlling party is Deloitte NSE LLP. As these entities are part of the DTTL group, the interests of these entities are generally very closely aligned.

Decision-making in practice

Board decisions relate to areas including risk and compliance, financial performance, services provided to clients and business operations. One example of how the Company has had regard to the matters set out in section 172(1) (a) – (f) when discharging its section 172 duties and the effect of that on decisions taken by it is the payment of the dividend. Throughout the year, the Board assessed the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment. During the year ended, the Board recommended an interim dividend of £69,000,000. In making this decision, the Board considered a range of factors. These included the long-term viability of the Company; its expected cash flow; the ongoing need for strategic investment in the business and workforce and the pricing expectations of its customers and suppliers, as well as the expectation of its parent company.

During the current financial year, as is the case each year, the Board approved a number of other items including decisions relating to:

- the services provided by the Company;
- employee well-being as a result of the COVID-19 outbreak (see page 6); and
- the acquisition of business and assets of KeyTree, an award winning SAP consultancy practice (see page 7).

These and other decisions made by the Board are appropriately informed by consideration of the Section 172 factors through the mechanisms described above.

KEY PERFORMANCE INDICATORS

Key performance indicators for the Company are turnover, which increased 9.0% from £950,276,000 to £1,035,752,000 and profit before tax which increased 13.5% from £86,330,000 to £97,950,000. The key non-financial performance indicator for the Company is staff numbers, which increased by 20.5% to 4,915 from 4,079. See page 2 for discussion of these key performance indicators.

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, 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 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.

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

As an integral part of Deloitte NSE, the implications of the Withdrawal Agreement on the Company have been considered at the NSE group level.

The NSE Executive Group has established a senior working group to plan and implement the required changes to business operations, systems and compliance before 31 December 2020. The key areas of focus for the working group have been ensuring the Group structure complies with future regulatory requirements, the recruitment and movement of people, and the transfer and processing of personal data. Accordingly, the Company expects to be able to continue to provide the services defined in engagement letters, and does not anticipate resourcing or other constraints to materially affect the delivery of services.

The longer term political and economic effects of leaving the EU remain unclear at the date of these financial statements. The NSE Executive Group 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 Company's business, both in terms of its own activities and those of its clients.

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

Credit risk is primarily attributable to receivables from clients (trade debtors and accrued income). An allowance for impairment is made whenever there is an identified loss event. Trade debtors are spread across diverse industries and the Company does not have any significant credit risk exposure to any single industry, counterparty or any group of counterparties having similar characteristics. Credit risk for new and existing customers are assessed as part of the 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.

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 2020, which does not form part of this report.

GOING CONCERN

Implications of COVID-19

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').

As an integral part of the Deloitte LLP group (hereinafter referred to as the 'Group'), the implications of COVID-19 on the Company have been considered at the Group level.

To date, the Group 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.

GOING CONCERN (continued)

Implications of COVID-19 (continued)

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

As a consequence of the pandemic, Group revenue for the year ended 31 May 2020 was less than planned. In response to this, together with the general macroeconomic uncertainty caused by the pandemic and broader disruption to economic activity, the Group carefully managed and monitored its liquidity and capital resources into FY21. The Group developed performance and liquidity models for a number of scenarios, including Reverse Stress Test and implemented certain cost containment and liquidity enhancement measures, including the deferral of capital expenditure and Equity Partner profit distributions. These models demonstrate that the Group can withstand reduced profitability without breaching covenants or exceeding borrowing facilities for at least twelve months from the date of this report.

In conclusion, the Directors do not foresee a material uncertainty relating to going concern as a consequence of COVID-19 and therefore the financial statements continue to be prepared on a going concern basis (see Accounting Polices for more information).

POST BALANCE SHEET EVENTS

On 1 October 2020, the Company acquired the business and assets of KeyTree Limited, an award winning SAP consultancy practice with 400 employees. Combining the capabilities of the Company and KeyTree, the acquisition will create the largest SAP-enabled digital transformation practice in the UK. This will allow the Company to extend their capacity to support customers as they embark on significant digital transformation projects. This is expected to increase future revenue by c. £26,000,000 on an annualised basis.

FUTURE DEVELOPMENTS

Other than disclosed above, there are no further events since the balance sheet date which would require disclosure in these financial statements.

Taking into account the challenge of the COVID-19 pandemic, the Company performed reasonably well during the year ended 31 May 2020. The directors expect that the Company will continue to perform satisfactorily in 2021.

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

DLWard

D L Ward
Director

10 December 2020

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 May 2020.

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, except as disclosed below:

G Bunting
S Griggs (resigned 21 April 2020, appointed 1 October 2020)
D A Noon (appointed 1 June 2019, resigned 1 October 2020)
D L Ward (appointed 21 April 2020)

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 2020, and, therefore, had an indirect beneficial interest in the share capital of the Company at 31 May 2020.

DIVIDENDS

The Directors have not recommended a final dividend (2019: £nil). An interim dividend of £16.20 per ordinary share, amounting to a total dividend of £69,000,000, was declared during the current year (2019: £65,450,000).

ENVIRONMENT

The Company 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 its activities.

The Company 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. An Energy and Carbon report has not been included within the report as it is included within the group report of Deloitte NSE.

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, internal emails and newsletters, 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. Communication channels are further enhanced as new social media channels and blogs on the Company's intranet give employees the opportunity to interact with members of the Board. An annual employee survey is undertaken to allow employees to provide honest feedback about their experience working at the Company.

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. See page 3 for more information on employee involvement.

BRANCHES OUTSIDE THE UNITED KINGDOM

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

DISCLOSURE AS PART OF STRATEGIC REPORT

Information regarding the Company's relationships with suppliers and customers, 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 7.

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

Under the Companies (Miscellaneous Reporting) Regulations 2018, the Company is required to include a statement of corporate governance arrangements in its annual report for years beginning on or after 1 January 2019. The Company has adopted the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018), which will apply to its reporting for the year ended 31 May 2020 and subsequent years. We set out below how the Principles were applied during the year.

Principle 1 – Purpose and leadership

The principal activity of the Company is the provision of consulting services.

The Company seeks to deliver strong returns through significant cash flow generation and a strong balance sheet, disciplined capital allocation and value-accretive growth and yield. The Company's approach to the payment of dividends is explained on page 5.

DIRECTORS' REPORT (continued)

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS (continued)

Principle 1 – Purpose and leadership (continued)

The Company's culture is centered on its shared values:

- Lead the way
- Serve with integrity
- Take care of each other
- Foster inclusion
- Collaborate for measurable impact

Principle 2 – Board composition

Details of the membership of the Board can be found in on page 8. The directors have a diverse range of skills, expertise and experience.

Since the Company is a subsidiary trading company within Deloitte NSE, the Directors believe that the Board is of an appropriate size given that all of the Directors are members of Deloitte NSE, the ultimate controlling party, at 31 May 2020.

Principle 3 – Director responsibilities

The Directors are responsible for aligning the Company's goals with the long term strategies and objectives set by the Deloitte NSE Board. In reaching their decisions, the Directors also have regard to the Company's obligations to its other stakeholders as described on pages 3 to 4. In accordance with the Company's articles of association and applicable law, the Directors will not take part in any discussion or decision in which they have a conflict of interest.

The Directors receive detailed information relating to the operations and performance of the Company through Board meetings when required.

Principle 4 – Opportunity and risk

The Company's approach to strategic opportunities is set out by the Deloitte NSE Executive Group. The Company seeks to capitalise on opportunities (for example, through acquisitions) while mitigating risks where possible.

The Company's principal risks are summarised on pages 5 to 6.

Principle 5 – Remuneration

The Directors are remunerated as members of Deloitte LLP. The Directors do not receive any remuneration, from any source, for their qualifying services as Director of the Company.

Principle 6 – Stakeholders

The Company has set out examples of how it engages with key stakeholders on pages 3 to 4. As well as informing business-level decisions, an overview of the output of this engagement and related developments is reported to the Board to ensure due consideration is given to stakeholders and the output of this engagement when decisions are taken at those levels.

DIRECTORS' REPORT (continued)

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.

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:

D L Ward

D L Ward
Director

10 December 2020

ANNUAL REPORT AND FINANCIAL STATEMENTS 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 2020 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 2020 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

10 December 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 2020

	Note	2020 £'000	2019 £'000
TURNOVER	3	1,035,752	950,276
External charges: expenses and disbursements on client assignments		(220,727)	(228,074)
Staff costs	4	(440,966)	(361,538)
Depreciation, amortisation and impairment	5	(3,544)	(4,542)
Other operating expenses		(281,039)	(269,458)
Other income		8,326	-
OPERATING PROFIT	5	97,802	86,664
Finance income / (costs)	6	148	(334)
PROFIT BEFORE TAXATION		97,950	86,330
Tax on profit	7	(15,815)	(17,014)
PROFIT FOR THE FINANCIAL YEAR		82,135	69,316

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 2020

	Note	2020 £'000	2019 £'000
FIXED ASSETS			
Intangible assets	9	4,571	8,056
Tangible assets	10	390	526
Investments	11	32,490	20,671
Loan receivables	13	19,519	2,382
		56,970	31,635
CURRENT ASSETS			
Debtors	14	251,125	313,752
Deferred tax	16	1,440	859
Cash at bank and in hand		1,826	1,658
		254,391	316,269
CREDITORS: amounts falling due within one year	15	(224,009)	(273,682)
NET CURRENT ASSETS		30,382	42,587
TOTAL ASSETS LESS CURRENT LIABILTIES		87,352	74,222
Provisions	17	(139)	(144)
NET ASSETS		87,213	74,078
CAPITAL AND RESERVES			
Called up share capital	18	4,261	4,261
Profit and loss account		82,952	69,817
SHAREHOLDERS' FUNDS		87,213	74,078

These financial statements of Deloitte MCS Limited, registered number 03311052, were approved by the Board of Directors and authorised for issue on 10 December 2020.

Signed on behalf of the Board of Directors

D L Ward

D L Ward
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 May 2020

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 June 2018	4,261	65,951	70,212
Profit and total comprehensive income for the year	-	69,316	69,316
Dividends on equity shares (Note 8)	-	(65,450)	(65,450)
At 31 May 2019	4,261	69,817	74,078
Profit and total comprehensive income for the year	-	82,135	82,135
Dividends on equity shares (Note 8)	-	(69,000)	(69,000)
At 31 May 2020	4,261	82,952	87,213

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

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 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 7.

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 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

1. ACCOUNTING POLICIES (continued)

Going concern

Each year the Directors are required, in signing off the financial statements, to assess the appropriateness of the going concern basis of preparation. The Company does not operate on a day to day basis as a standalone entity and its ongoing existence as a going concern is integrally linked to the performance of the immediate group to which it belongs, headed by Deloitte LLP (hereinafter, we have referred to Deloitte LLP and its subsidiaries, as the 'Group'). As such the going concern assessment has been undertaken at the Group level.

In undertaking this assessment, performed for a period of at least 12 months from the date of approval of these financial statements, due consideration has been given to the Group's historical and current trading together with forward looking projections, and the Group's financing facilities. A Group cash flow forecast has been prepared and scenario modelling has been undertaken to stress test the assumptions made in the forecast, including the impact of COVID-19. The results of the testing have indicated that the Group can withstand a prolonged period of reduced trading and still have significant headroom on its available facilities. See page 6 for more information regarding Going Concern relating to COVID-19.

At 31 May 2020, total assets of the Group were £3,199 million (2019: £2,331 million), and net liabilities attributable to members were £1,042 million (2019: £1,072 million). Net liabilities attributable to members arise primarily as a result of the recognition in the Group 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: £254 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 the Group 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, the Group had undrawn facilities of £353 million (2019: £413 million) and cash balances of £452 million (2019: £45 million), which enables the Group to respond to opportunities and invest in new services and ventures based on the strategy of the Group, without needing specific financing. Subsequent to the year end, the Group refinanced its facilities - increasing its available facilities through September 2021, and extending a significant portion of these through September 2023.

Taking all of the above into account, the directors have a reasonable expectation that the Company will continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

1. ACCOUNTING POLICIES (continued)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

1. ACCOUNTING POLICIES (continued)

Business combinations

Business combinations are accounted for by applying the purchase method.

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.

Research and development expenditure credits

Research and development tax credits claimed under the RDEC scheme are accounted for under the accrual model in accordance with Section 24 of FRS 102. These tax credits are recognised when there is reasonable assurance that the Company will comply with the conditions attaching to the RDEC scheme and the tax credit will be received. The amount receivable is credited to other income within profit or loss in the same period as the related expenditure.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

2. CRITICAL ACCOUNTING JUDGEMENTS (continued)

Control over the Consulting business of Deloitte & Touche Middle East Limited

With effect from June 2019, the Company obtained control through contractual agreement over the consulting business of Deloitte & Touche Middle East Limited ('DTME'), one of the legal entities comprising the Middle East Consulting business. As a result, the Company is exposed to the returns from the contractual business relations of DTME in respect of its underlying consulting operations.

3. TURNOVER

All of the Company's revenue in the years ended 31 May 2020 and 31 May 2019 was derived from the UK.

In prior years, the analysis of revenue by geography was based on the country where the client was located. In the current year, this has been revised to the location that the Company operates in. As is the case for the year ended 31 May 2020, this results in all revenue being derived from the UK.

This has not changed the total revenue for the year ended 31 May 2019.

4. STAFF NUMBERS AND COSTS

Employees

The average monthly number of people during the year was:

	2020 No.	2019 No.
Fee earning staff	4,737	3,925
Support staff	178	154
	4,915	4,079

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

4. STAFF NUMBERS AND COSTS (continued)

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

	2020 £'000	2019 £'000
Salaries	354,028	290,149
Social security costs	40,758	34,315
Other pension costs (Note 20)	46,180	37,074
	440,966	361,538

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.

5. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Expenses and sub-contractor costs on client assignments	220,727	228,074
Depreciation and amortisation on owned assets:		
- amortisation of intangible assets (Note 9)	3,486	3,377
- depreciation of tangible fixed assets (Note 10)	58	1,165
Loss on disposal of tangible assets	-	1,736
Net reversal of impairment of owned assets - investments	(773)	-
Operating lease payments:		
- land and buildings	4,452	6,947
Service charge	85,597	94,415
Net foreign exchange gain	(2,464)	(3,265)

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 include expenses which qualify for RDEC, CTA 2009, Part 3, Chapter 6A.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

6. FINANCE INCOME / (COSTS)

	2020 £'000	2019 £'000
Unwinding of discount	-	(353)
Interest income	148	19
	148	(334)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

7. TAX ON PROFIT

The tax charge comprises:

	2020 £'000	2019 £'000
Current tax on profit		
UK corporation tax	18,196	17,172
Adjustments in respect of prior years	(1,954)	(346)
Foreign tax in excess of UK tax rates	154	-
Total current tax	16,396	16,826
Deferred tax		
Origination and reversal of timing differences	(480)	(102)
Adjustment in respect of prior periods	-	189
Effect of changes in tax rates	(101)	101
Total deferred tax	(581)	188
Total tax on profit	15,815	17,014

The standard rate of tax applied to reported profit on ordinary activities is 19% (2019: 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:

	2020 £'000	2019 £'000
Profit before tax	97,950	86,330
Tax on profit at standard UK corporation tax rate of 19% (2019: 19%)	18,611	16,403
Effects of:		
- disallowable expenditure	534	574
- income not taxable	(1,145)	98
- effect of different tax rates on activities in other jurisdiction	52	(19)
- adjustments to tax charge in respect of previous periods	(1,954)	(157)
- tax rate changes	(283)	101
- other movements	-	14
Total tax charge for year	15,815	17,014

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

8. DIVIDENDS ON EQUITY SHARES

	2020 £'000	2019 £'000
Interim dividend for the year ended 31 May 2020 of £16.20 per ordinary share declared 29 April 2020 (2019: £15.36 per ordinary share)	69,000	65,450
Distributions to equity holders in the year	69,000	65,450

9. INTANGIBLE ASSETS

	Goodwill £'000	Brand and relationships £'000	IT software £'000	Total £'000
Cost				
At 1 June 2019	15,138	3,587	1,308	20,033
At 31 May 2020	15,138	3,587	1,308	20,033
Amortisation				
At 1 June 2019	9,935	1,715	327	11,977
Charge for the year	2,522	528	435	3,485
At 31 May 2020	12,457	2,243	762	15,462
Net book value				
At 31 May 2020	2,681	1,344	546	4,571
At 31 May 2019	5,203	1,872	981	8,056

As at 31 May 2020, Goodwill relating to Kaisen Consulting Limited had an estimated remaining useful life of less than one year and Goodwill relating to Market Gravity Limited had an estimated remaining useful life of two years.

The 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 2020

10. TANGIBLE ASSETS

	Freehold property £'000	Fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 June 2019	1,198	865	173	2,236
Additions	-	-	52	52
Disposals	(96)	-	(34)	(130)
At 31 May 2020	1,102	865	191	2,158
Depreciation				
At 1 June 2019	701	850	159	1,710
Charge for the year	59	10	(11)	58
At 31 May 2020	760	860	148	1,768
Net book value				
At 31 May 2020	342	5	43	390
At 31 May 2019	497	15	14	526

Freehold property includes freehold land of £262,000 (2019: £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 2020

11. INVESTMENTS

	Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
Cost			
At 1 June 2019	27,362	3,184	30,546
Additions (Note 12)	5,590	5,668	11,258
Repayment of capital (Note 12)	-	(2,524)	(2,524)
Transfers (Note 13)	2,312	-	2,312
At 31 May 2020	35,264	6,328	41,592
Provision			
At 1 June 2019	9,875	-	9,875
Impairment charge	1,772	-	1,772
Impairment charge reversal	(2,545)	-	(2,545)
At 31 May 2020	9,102	-	9,102
Net book value			
At 31 May 2020	26,162	6,328	32,490
At 31 May 2019	17,487	3,184	20,671

An impairment charge of £1,772,000 has been recorded against the investment in Deloitte MCS AB. The investment has been written down to its estimated value-in-use.

An amount of £2,545,000 previously recognised as impairment against the investment in the Monitor Group has been reversed to reflect the increase in the value of the underlying net assets of the subsidiaries.

The Company has investments in the following subsidiary undertakings, 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%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

11. INVESTMENTS (continued)

Direct subsidiary undertakings (continued)

	Registered office	Activity	Holding
Praxis Software Engineering Limited	6 Snow Hill, London, EC1A 2AY.	In liquidation	100.0%

Direct subsidiary undertakings (continued)

	Registered office	Activity	Holding
Deloitte MCS AB	Tulegatan 15, 113 53 Stockholm, Sweden	Non-trading company	100.0%

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 OB5, 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%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

11. INVESTMENTS (continued)

Indirect subsidiary undertakings (continued)

	Registered office	Activity	Holding
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	Glategny Court, Glategny 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.*

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

12. ACQUISITIONS AND DISPOSALS

ACNE AB
A debt to equity swap of £2 million (SEK 24 million) was completed during the year in relation to ACNE AB.

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 £7,035,000 (SEK nil and SEK 75,000,000).

DTME 2 LLP
On 1 June 2018 the Company agreed to contribute up to £12,206,000 (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 had contributed £3,184,000 (US$ 4,129,000) towards the capital of DTME 2 LLP and this was included within associated undertakings in Note 11.

During the year ended 31 May 2020, the Company contributed a further £5,668,000 (US$ 7,083,000) and received a capital repayment of £2,524,000 (US$ 3,136,000), taking the total capital contribution balance to £6,328,000 (US$ 8,076,000). The Company may be required to provide further funding in the future. The nature, timing and period of the funding is subject to the development of the business.

On 1 June 2019, one of the legal entities forming part of the Middle East Consulting business, Deloitte & Touche Middle East Limited ('DTME'), reorganised its operations. Following this reorganisation, the Company has the right to, and is exposed to, the returns from its contractual business relations with DTME as relates to its consulting operations and consequently obtained control over the entity's consulting business.

Deloitte MCS AB
On 1 November 2019, the Company entered into an agreement to acquire the entire share capital of Deloitte MCS AB for consideration of £4,774,000 (SEK 59,654,000). Deloitte MCS AB provides digital consulting services. The acquisition increases the Company's investment in its strategically important digital services offering.

On 30 May 2020, a debt to equity swap for £1,028,000 (SEK 13 million) was completed in relation to Deloitte MCS AB.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

13. LOAN RECEIVABLES

	£'000
Cost	
At 1 June 2019	2,382
Additions	19,435
Transfers	(2,312)
Foreign exchange adjustments	14
At 31 May 2020	19,519
Provision	
At 31 May 2019 and 2020	-
Net book value	
At 31 May 2020	19,519
At 31 May 2019	2,382

DTME 2 LLP
During the year, the Company has provided working capital loans totaling £17,803,000 (US$ 22,000,000) to DTME 2 LLP. The rate of interest on the outstanding loan balance is LIBOR + 2% per annum. The Company has the right to request the repayment of the outstanding working capital funding in accordance with the terms of the Partnership Agreement.

Deloitte European Support Services Limited
On 27 August, a loan of £1,632,000 (€1,800,000) was advanced to Deloitte European Support Services Limited (formerly Deloitte GES ERDC Limited). The rate of interest on the outstanding loan is 2% above the Euro reference rate per annum. The loan is to be repaid in full, including any interest owed, on 31 May 2024.

Deloitte MCS AB
The purchase price of £4,774,000 (SEK 59,654,000) for the acquisition of Deloitte MCS AB was partly paid by the settlement of the promissory note issued by Deloitte AB to the Company when Deloitte AB previously acquired the Mobiento business in June 2018. The outstanding balance on the promissory note was £2,312,000 (SEK 28,893,000).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

14. DEBTORS

	2020 £'000	2019 £'000
Amounts to be billed to clients	75,180	126,438
Client debtors	130,736	140,340
Amounts due from other member firms of Deloitte Touche Tohmatsu Limited ('DTTL')	30,533	37,437
Corporation tax	10,363	-
Other debtors	3,954	8,720
Prepayments and accrued income	359	817
	251,125	313,752

15. CREDITORS: amounts falling due within one year

	2020 £'000	2019 £'000
Progress billings for client work	54,427	52,516
Trade creditors	1,351	1,881
Amounts owed to other group undertakings	95,637	150,692
Amounts due to other member firms of DTTL	10,870	2,992
Corporation tax	-	4,977
Social security and other taxes	9,625	9,073
Accruals and deferred income	51,747	50,842
Other creditors	352	709
	224,009	273,682

Amounts owed to 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 2020

16. DEFERRED TAXATION

	2020 £'000	2019 £'000
Deferred tax assets		
Deferred taxation		
At 1 June	859	1,047
Origination and reversal of timing differences	480	102
Effect of changes in tax rate	101	(101)
Adjustment in respect of prior periods	-	(189)
At 31 May	1,440	859
Deferred tax consists of:		
Fixed asset timing differences	1,440	859

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.

17. PROVISIONS AND CONTINGENT LIABILITIES

	Property provision £'000
At 1 June 2019	144
Unwinding of discount	(5)
At 31 May 2020	139

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.

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 (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

18. CALLED UP SHARE CAPITAL AND RESERVES

	2020 £'000	2019 £'000
Called up, allotted and fully paid:		
4,260,526 ordinary shares of £1 each	4,261	4,261

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 2020

19. EMPLOYEE BENEFITS

Defined contribution schemes

Deloitte LLP operates a defined contribution scheme, the Deloitte Pension Plan ('DPP'), a defined contribution master trust arrangement of which the Company is a participating employer. The DPP is 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 £46,180,000 (2019: £37,074,000) represents employer contributions payable to these schemes by the Company. As at 31 May 2020, and 31 May 2019, 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.

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 £2,000,000 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 May 2020

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 1 October 2020, the Company acquired the business and assets of KeyTree Limited, an award winning SAP consultancy practice with 400 employees. Combining the capabilities of the Company and KeyTree, the acquisition will create the largest SAP-enabled digital transformation practice in the UK. This will allow the Company to extend their capacity to support customers as they embark on significant digital transformation projects. This is expected to increase future revenue by c. £26,000,000 on an annualised basis.