

Company Registration No. 03311052

**DELOITTE MCS LIMITED**

**Annual report and financial statements**

**For the year ended 31 May 2018**



**ANNUAL REPORT AND FINANCIAL STATEMENTS 2018**

**CONTENTS PAGE**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Directors' responsibilities statement</b>	<b>6</b>
<b>Independent auditor's report</b>	<b>7</b>
<b>Profit and loss account</b>	<b>10</b>
<b>Balance sheet</b>	<b>11</b>
<b>Statement of changes in equity</b>	<b>12</b>
<b>Notes to the financial statements</b>	<b>13</b>

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2018**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

G Bunting  
S Griggs  
P A Robinson

**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**

On 1 June 2017, Deloitte LLP (the former ultimate holding party) combined with other member firms of Deloitte Touche Tohmatsu Limited ('DTTL') to create the Deloitte North West Europe Group ('Deloitte NWE'). On that date, Deloitte NWE LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000, became the ultimate holding and controlling party of Deloitte MCS Limited (the 'Company').

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 £78,986,000 (2017: £76,759,000).

At 31 May 2018 shareholders' funds were £70,212,000 (2017: £64,444,000).

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 2.5% from £830,381,000 to £851,475,000 and profit before tax which increased 2.9% from £76,759,000 to £78,986,000. The key non-financial performance indicator for the Company is staff numbers, which increased by 4.0% to 3,882 from 3,734.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company's process of risk acceptance and risk management is addressed by the Enterprise Risk Framework ('ERF') of Deloitte NWE LLP. This sets out the Deloitte NWE Executives' assessment of the risks facing Deloitte NWE, and specifically, those that could impact on the ability of Deloitte NWE to meet its strategy and those that could impact upon the reputation of Deloitte NWE.

The principal risks of the Company are:

- The inability to prevent significant and/or multiple failures in delivery including failures brought about by unsuccessful deployment and implementation of technology or methodology; the Company fails to continue to enhance quality.
- The risk of failing to align the talent strategy with the changing shape of its business/market; the Company fails to recruit, develop, progress and retain a high quality, diverse and mobile workforce and to embed and maintain an inclusive culture in which inappropriate behaviour is freely reported and promptly addressed.
- The risk of loss, unauthorised access to or inappropriate use of client or firm data.

Revenue principally arises in the UK. However, 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.

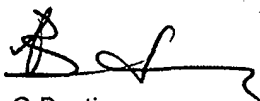
Group risks are discussed in the Deloitte LLP Audit Transparency Report for the year ended 31 May 2018, which does not form part of this report.

**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 2019 to remain consistent with 2018.

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



G Bunting  
Director

23 January 2019

## **DIRECTORS' REPORT**

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 May 2018.

### **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  
P A Robinson

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 NWE, the ultimate controlling party at 31 May 2018, and, therefore, had an indirect beneficial interest in the share capital of the Company at this date.

### **DIVIDENDS**

The Directors have not recommended a final dividend (2017: £nil). An interim dividend of £13.97 per ordinary share, amounting to a total dividend of £59,500,000, was declared during the current year (2017: £16,900,000).

### **ENVIRONMENT**

Deloitte NWE 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 the Deloitte NWE's activities. The Company operates in accordance with Deloitte NWE's policies, which do not form part of this report. Initiatives designed to minimise Deloitte NWE'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.

### **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

**DIRECTORS' REPORT (continued)**

**EMPLOYEE INVOLVEMENT (continued)**

financial and economic performance of their business units and Deloitte NWE 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 India and the Netherlands.

**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.

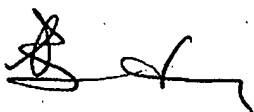
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The auditors, 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.

**APPROVAL OF 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:



G Bunting  
Director

23 January 2019

## **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 judgments 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**

We have audited the financial statements of Deloitte MCS Limited ("the Company") for the year ended 31 May 2018 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 2018 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.

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.

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

**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.

**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.

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

**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  
23 January 2019

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

**DELOITTE MCS LIMITED****PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 May 2018**

	Note	2018 £'000	2017 £'000
<b>TURNOVER</b>	3	851,475	830,381
Staff costs	4	(336,010)	(326,944)
Depreciation, amortisation and impairment		(9,488)	(6,756)
Other operating expenses		(426,288)	(419,908)
<b>OPERATING PROFIT</b>	5	79,689	76,773
Finance costs	6	(703)	(14)
<b>PROFIT BEFORE TAXATION</b>		78,986	76,759
Tax on profit	7	(13,718)	(18,451)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		65,268	58,308

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.

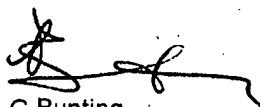
# DELOITTE MCS LIMITED

## BALANCE SHEET At 31 May 2018

	Note	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	11,125	5,297
Tangible assets	10	3,427	7,925
Investments	11	18,236	18,858
		<u>32,788</u>	<u>32,080</u>
<b>CURRENT ASSETS</b>			
Debtors	13	245,896	269,107
Deferred tax	15	1,047	251
Cash at bank and in hand		8,511	3,565
		<u>255,454</u>	<u>272,923</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(210,441)</u>	<u>(234,753)</u>
<b>NET CURRENT ASSETS</b>		45,013	38,170
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>77,801</u>	<u>70,250</u>
Provisions	16	(7,589)	(5,806)
<b>NET ASSETS</b>		<u>70,212</u>	<u>64,444</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	4,261	4,261
Profit and loss account		65,951	60,183
<b>SHAREHOLDERS' FUNDS</b>		<u>70,212</u>	<u>64,444</u>

These financial statements of Deloitte MCS Limited, registered number 03311052, were approved by the Board of Directors and authorised for issue on 23 January 2019.

Signed on behalf of the Board of Directors



G Bunting  
Director

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 May 2018**

	<b>Called up share capital 2018 £'000</b>	<b>Profit and loss account 2018 £'000</b>	<b>Total 2018 £'000</b>	<b>Called up share capital 2017 £'000</b>	<b>Profit and loss account 2017 £'000</b>	<b>Total 2017 £'000</b>
<b>At 1 June</b>	4,261	60,183	64,444	4,261	18,775	23,036
Profit for the financial year	-	65,268	65,268	-	58,308	58,308
<b>Total comprehensive income</b>	-	65,268	65,268	-	58,308	58,308
Dividends on equity shares (Note 8)	-	(59,500)	(59,500)	-	(16,900)	(16,900)
<b>At 31 May</b>	4,261	65,951	70,212	4,261	60,183	64,444

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018**

**1. ACCOUNTING POLICIES**

**General information**

Deloitte MCS Limited (the 'Company') is a private Company limited by shares. The largest and smallest group for which consolidated financial statements are prepared is that headed by Deloitte NWE LLP, the ultimate parent undertaking and controlling party at 31 May 2018, which consolidates the results of the Company. The financial statements of Deloitte NWE LLP will be publicly available upon completion and can be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ. 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.

**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 NWE 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. Thus it continues to adopt the going concern basis of accounting in preparing the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018****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 NWE 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 NWE LLP which are drawn up and audited in accordance with International Financial Reporting Standards and IFRS Interpretation Committee interpretations, as issued by the International Accounting Standards Board and adopted by the European Union.

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	1 to 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 and 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 2018****1. ACCOUNTING POLICIES (continued)****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.

**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 is legally responsible for the Scheme and records the net defined benefit cost of the Scheme in its financial statements. There is no

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 May 2018

#### 1. ACCOUNTING POLICIES (continued)

##### Employee benefits (continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018**

**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:

	2018 £'000	2017 £'000
United Kingdom	554,665	622,902
Europe	161,032	113,368
North America	91,911	60,149
Rest of the World	43,867	33,962
	<hr/> 851,475	<hr/> 830,381

**4. STAFF NUMBERS AND COSTS**

**Employees**

The average monthly number of people during the year was:

	2018 No.	2017 No.
Fee earning staff	3,720	3,580
Support staff	162	154
	<hr/> 3,882	<hr/> 3,734

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018**

**4. STAFF NUMBERS AND COSTS (continued)**

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

	2018 £'000	2017 £'000
Salaries	271,023	265,594
Social security costs	31,826	30,939
Other pension costs (Note 19)	33,161	30,411
	336,010	326,944

**Directors**

The Directors were remunerated as members of Deloitte LLP (the former ultimate parent undertaking) in the current and preceding financial year. The Directors did not receive any remuneration, from any source, for their role as Director of the Company during the current or preceding financial year.

**Research and development cost**

Staff cost includes 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):

	2018 £'000	2017 £'000
Expenses and sub-contractor costs on client assignments	187,119	190,609
Depreciation and amortisation on owned assets:		
- amortisation of intangible assets (note 9)	3,233	1,697
- depreciation of tangible fixed assets (note 10)	4,451	5,059
Impairment of owned assets - tangible assets (note 10)	1,804	-
Impairment of owned assets - investments	33	-
Operating lease payments:		
- land and buildings	9,282	5,559
Auditor remuneration		
- fees payable for the audit of the Company's annual accounts	-	60
Service charge	83,041	83,102
Net foreign exchange loss/(gain)	2,383	(7,361)

Audit fees for the current 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018**

**6. FINANCE COST**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Unwinding of discount	708	14
Interest income	(5)	-
	<hr/> 703	<hr/> 14

**7. TAX ON PROFIT**

The tax charge comprises:

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Current tax on profit</b>		
UK corporation tax	17,523	18,952
Adjustments in respect of prior years	(3,051)	(1,086)
Foreign tax in excess of UK tax rates	42	58
<b>Total current tax</b>	<hr/> 14,514	<hr/> 17,924
<b>Deferred tax</b>		
Origination and reversal of timing differences	(389)	(641)
Adjustment in respect of prior periods	(407)	1,156
Effect of changes in tax rates	-	12
<b>Total deferred tax</b>	<hr/> (796)	<hr/> 527
<b>Total tax on profit</b>	<hr/> 13,718	<hr/> 18,451

UK Corporation Tax is calculated at 19.00% (2017: 19.83%) of the estimated assessable profit for the year. The applicable tax rate changed to 19.00%, effective 1 April 2017, following the enactment of the Finance (No. 2) Act 2015.

There is no expiry date on timing differences.

There are no unused tax losses or tax credits.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018**

**7. TAX ON PROFIT (continued)**

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:

	<b>2018 £'000</b>	<b>2017 £'000</b>
<b>Profit before tax</b>	78,986	76,759
<b>Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.83%)</b>	15,007	15,223
Effects of:		
- disallowable expenditure	1,561	3,130
- effect of different tax rates on activities in other jurisdiction	(28)	(42)
- adjustments to tax charge in respect of previous periods	(2,865)	71
- effect on deferred tax rates due to change in income tax rate	-	11
- foreign tax in excess of UK tax rates	42	58
- Other movements	1	-
<b>Total tax charge for year</b>	13,718	18,451

**8. DIVIDENDS ON EQUITY SHARES**

	<b>2018 £'000</b>	<b>2017 £'000</b>
Interim dividend for the year ended 31 May 2018: £13.97 per ordinary share declared 30 April 2018 (2017: £3.97 per ordinary share declared 25 May 2017)	59,500	16,900
<b>Amounts recognised as distributions to equity holders in the year</b>	59,500	16,900

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018**

**9. INTANGIBLE ASSETS**

	<b>Goodwill £'000</b>	<b>Brand and relationships £'000</b>	<b>IT AUC £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 June 2017	9,277	1,387	-	10,664
Transfer from Investments (note 11)	5,861	2,200	-	8,061
Additions	-	-	1,000	1,000
At 31 May 2018	15,138	3,587	1,000	19,725
<b>Amortisation</b>				
At 1 June 2017	(4,891)	(476)	-	(5,367)
Charge for the year	(2,522)	(711)	-	(3,233)
At 31 May 2018	(7,413)	(1,187)	-	(8,600)
<b>Net book value</b>				
At 31 May 2018	7,725	2,400	1,000	11,125
At 31 May 2017	4,386	911	-	5,297

Goodwill relating to Kaisen Consulting Limited has an estimated remaining useful life of 2 years. Goodwill for Market Gravity Limited has an estimated remaining useful life of 4 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 2018**

**10. TANGIBLE ASSETS**

	<b>Freehold property £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Leasehold improvements £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 June 2017	1,198	1,594	40,581	43,373
Additions	-	23	1,734	1,757
At 31 May 2018	1,198	1,617	42,315	45,130
<b>Depreciation</b>				
At 1 June 2017	(585)	(1,207)	(33,656)	(35,448)
Charge for the year	(10)	(232)	(4,209)	(4,451)
Impairment charge	-	-	(1,804)	(1,804)
At 31 May 2018	(595)	(1,439)	(39,669)	(41,703)
<b>Net book value</b>				
At 31 May 2018	603	178	2,646	3,427
At 31 May 2017	613	387	6,925	7,925

Freehold property includes freehold land of £262,000 (2017: £262,000) which is not depreciated.

At 31 May 2018 capital commitments contracted for but not provided were £51,000 (2017: £nil).

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 2018**

**11. INVESTMENTS**

	<b>Subsidiary undertakings £'000</b>	<b>Associate undertakings £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 June 2017	27,951	793	28,744
Adjustment to provisional accounting *	(1,034)	-	(1,034)
Restated balance 1 June 2017	26,917	793	27,710
Addition (Note 12)	8,506	-	8,506
Transfer of assets (note 9) **	(8,061)	-	(8,061)
At 31 May 2018	27,362	793	28,155
<b>Provision</b>			
At 1 June 2017	(9,842)	(44)	(9,886)
Impairment charge	(33)	-	(33)
At 31 May 2018	(9,875)	(44)	(9,919)
<b>Net book value</b>			
At 31 May 2018	17,487	749	18,236
At 31 May 2017	18,109	749	18,858

\* The business combination accounting in the consolidated financial statements of Deloitte LLP (intermediate parent) in respect of Market Gravity Limited was recognised on a provisional basis as at 31 May 2017. Subsequent to the completion of the initial accounting for the business combination, an adjustment has been retrospectively recognised resulting in an increase in the value of investments in these separate financial statements as result of a change in the fair value of contingent consideration.

\*\* On 1 June 2017, the acquired assets and liabilities of Market Gravity Limited, including the goodwill and other identifiable intangible assets were transferred to the Company. As a consequence, the investment in Market Gravity Limited has been derecognised with a corresponding recognition of the goodwill and other identifiable intangible assets transferred.

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 Holdings**

	<b>Registered office</b>	<b>Activity</b>	<b>Holding</b>
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 2018**

**11. INVESTMENTS (continued)**

<u>Indirect Holdings</u>	<u>Registered office</u>	<u>Activity</u>	<u>Holding</u>
ACNE Advertising AB	Box 160 69, 103 22 Stockholm, Sweden	Trading company	100.0%
ACNE Digital AB*	Box 160 69, 103 22 Stockholm, Sweden	Trading company	100.0%
ACNE Drama AB*	Box 160 69, 103 22 Stockholm, Sweden	Trading company	100.0%
ACNE GmbH	Große Hamburger Straße 17, 10115 Berlin, Germany	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 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 Hong Kong Limited	Unit 2403 Tung wai Commercial Building, 109-111 Gloucester Road, Wan Chai, Hong Kong	Non-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%
Market Gravity PTE Limited	30 Cecil Street, No19-08 Prudential Tower, Singapore	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%

\* On 12 June 2018 Acne completed the merger of Acne Digital AB, Acne Drama AB and Acne Production AB into Acne AB.

\*\* 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.

**Associate**

Mobiento Group AB	Trading company (registered in Sweden)	36.5%
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**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 May 2018**

**12. ACQUISITIONS**

**ACNE AB**

On 15 August 2017 the Company entered into an agreement to acquire 100% of the shares of ACNE AB and its subsidiaries (the 'ACNE Group') for cash consideration of £8.5 million (SEK 90.5 million). ACNE Group provides creative digital advertising, film and photography in Sweden and the UK.

The acquisition of ACNE Group has been accounted for as a business combination, with the recognised assets and liabilities acquired for £8.5 million (SEK90.5 million) consisting of receivables, cash and current liabilities.

**Contingent Liability**

The associated Share Purchase Agreement ('SPA') includes future post-combination service payments, however, 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 within the range of £nil and £8.6 million (SEKnil and SEK101 million).

**13. DEBTORS**

	2018 £'000	2017 £'000
Amounts to be billed to clients	79,332	78,163
Client debtors	102,573	117,483
Amounts due from other group undertakings	35,709	49,294
Amounts due from other member firms of Deloitte Touche Tohmatsu Limited ('DTTL')	22,233	20,550
Other debtors	4,429	2,784
Prepayments and accrued income	1,620	833
	245,896	269,107

Amounts due from 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 2018**

**14. CREDITORS: amounts falling due within one year**

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
Progress billings for client work	(26,903)	(20,429)
Trade creditors	(3,099)	(2,923)
Amounts owed to other group undertakings	(130,730)	(154,098)
Amounts due to other member firms of DTTL	(5,628)	(11,911)
Corporation tax	(3,751)	(6,079)
Social security and other taxes	(9,678)	(9,918)
Accruals and deferred income	(30,377)	(29,389)
Other creditors	(275)	(6)
	<hr/> (210,441)	<hr/> (234,753)

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

**15. DEFERRED TAXATION**

	<b>2018</b> <b>£'000</b>	<b>2017</b> <b>£'000</b>
<b>Deferred tax assets</b>		
<b>Deferred taxation</b>		
At 1 June	251	778
Origination and reversal of timing differences	389	629
Adjustment in respect of prior periods	407	(1,156)
	<hr/> 1,047	<hr/> 251
<b>Deferred tax consists of</b>		
Fixed asset timing differences	1,047	251

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 2018**

**16. PROVISIONS**

	<b>Property provision £'000</b>	<b>Professional liability claims £'000</b>	<b>Total £'000</b>
At 1 June 2017	(5,767)	(39)	(5,806)
Transfer to other group entity	-	8	8
Charge for the year	(1,806)	(72)	(1,878)
Utilisation of provision	-	103	103
Unwinding of discount	(16)	-	(16)
<b>At 31 May 2018</b>	<b>(7,589)</b>	<b>-</b>	<b>(7,589)</b>

**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.

**Professional liability claims**

The Company is involved in a number of disputes in the ordinary course of business which may give rise to claims. A provision representing the cost of defending and concluding claims is made for claims where costs are likely to be incurred and can be measured reliably.

**17. CALLED UP SHARE CAPITAL AND RESERVES**

	<b>2018 £'000</b>	<b>2017 £'000</b>
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 2018**

**18. FINANCIAL COMMITMENTS**

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

	Land and buildings 2018 £'000	Land and buildings 2017 £'000
1 year	6,012	5,559
2 – 5 years	425	22,084
After 5 years	-	26,475
	<hr/> 6,437	<hr/> 54,118

**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 (2017: £nil).

**19. EMPLOYEE BENEFITS**

**Defined contribution schemes**

Deloitte LLP, of which the Company is a wholly owned subsidiary, operates the Deloitte Pension Plan ('DPP'), a defined contribution scheme. The DPP is a defined contribution master trust arrangement operated by Standard Life where the assets are held separately from those of Deloitte LLP. Deloitte LLP contributes 1.5 times the employee contribution when the employee contributes at least 4%, subject to a maximum contribution of 12% when the employee contributes 8%.

A salary sacrifice arrangement exists, known as the SMART pension, under which employer contributions are increased by 5% of the employee contribution to provide a share of the Deloitte LLP Group'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 £33,161,000 (2017: £30,411,000) represents employer contributions payable to these schemes by the Company. As at 31 May 2018, and 2017, 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 2018**

**19. EMPLOYEE BENEFITS (continued)**

**Defined benefit schemes (continued)**

The Trustee of the Scheme and Deloitte LLP have agreed a recovery plan which includes payments of £2.5 million per month from September 2017 to September 2018 and £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 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 Scheme's assets are payable by Deloitte LLP.

There is no contractual agreement or stated policy for charging the cost of the 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 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 inter valuation period based on developments in the 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 the Deloitte LLP financial statements.

**20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's 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 NWE LLP, the ultimate parent undertaking and controlling party at 31 May 2018, which consolidates the results of the Company. The financial statements of Deloitte NWE LLP will be publicly available upon completion and can be obtained from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.