

**Company Registration No: 03311052**

# **Deloitte MCS Limited**

**Annual Report and Financial Statements**

**For the year ended 31 May 2021**

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**Annual Report and Financial Statements 2021**

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**Annual Report and Financial Statements 2021**

**Officers and professional advisers**

**Directors** D L Ward  
G Bunting  
S Griggs

**Company secretary** Stonecutter Limited  
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London  
EC4A 3TR

**Registered office** Hill House  
1 Little New Street  
London  
EC4A 3TR

**Bankers** HSBC Bank PLC - USA  
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New York  
NY 10018

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Mumbai  
400 001

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1 Churchill Place  
London  
E14 5HP

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**Auditors** BDO LLP  
55 Baker Street  
London  
W1U 7EU

## **Annual Report and Financial Statements 2021**

### **Strategic Report For the year ended 31 May 2021**

The Directors present their Strategic Report for the year ended 31 May 2021, in compliance 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.

On 1 October 2020, the Company completed the acquisition of the business and assets of Keytree, a UK Consultancy practice that specialised in the provision of enterprise digital solutions, primarily to large organisations across all core industries and sectors. Keytree contributed £21 million of revenue and £4 million to the Company's profit for the period between the date of acquisition and the reporting date. The acquisition will further strengthen and extend the Company's capacity to support clients' digital transformation projects.

As per the Going Concern section on page 8, the COVID-19 pandemic created unprecedented challenges and uncertainty. Despite this, the Company achieved positive cash generation, closing with cash and cash equivalents of £1,834,000 (2020: £1,826,000). At 31 May 2021, the Company had total assets of £297,732,000 (2020: £311,361,000) and net assets of £96,226,000 (2020: £87,213,000).

The Company's trading results are set out in the Profit and Loss account on page 17.

Turnover increased to £1,124,220,000 (2020: £1,035,752,000). This was attributable to growth across most industry sectors, in particular Public Sector. The Covid-19 pandemic had a negative impact on the Consumer sector, which recorded turnover lower than last year's. There was particularly high demand for technology services associated with ERP platforms and growth was also high for digital services and strategy and analytics.

Staff costs increased to £496,281,000 (2020: £440,966,000). The higher staff costs resulted from the combination of an increase in the average monthly headcount from 4,915 employees in prior year to 5,318 employees in the current year and the impact of the COVID-19 pandemic. The Company implemented several temporary cost-containment and liquidity management measures in the prior year as an initial response to the general macroeconomic uncertainty caused by the pandemic. All these measures have been rolled back in FY21 following a more positive outlook of performance during the year.

Total operating expenses increased to £329,923,000 (2020: £281,039,000) attributable to the service charge for the services of Deloitte LLP. During the year, the Company purchased certain administrative services, including the provision of premises, from Deloitte LLP.

Profit before tax increased to £113,524,000 (2020: £97,950,000). The Company's effective rate of tax for the year was 22% (2020: 16%), higher than the standard rate of tax of 19% (2020: lower than the standard rate of 19%). The key factors impacting this underlying charge for the Company are certain disallowable expenses and withholding tax adjustments on some overseas contracts. Offsetting these factors to a degree are certain costs that qualify as research and development expenditure and are eligible for the Research and Development Expenditure Credit (RDEC), which is reported as Other Income.

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

## Annual Report and Financial Statements 2021

### Strategic Report For the year ended 31 May 2021 (continued)

#### 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.

The Directors confirm that during the year under review, they have acted to promote the long-term success of the Company for the benefit of its shareholder, having due regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders.

Due to the size and scale of the Company, the Directors delegate authority for the executive management of the Company to the Company's senior management. The Directors routinely monitor the delegation of authority, ensuring that it is regularly updated, while retaining ultimate responsibility.

#### *Consequence of any decision in the long term*

The Company 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'). As part of Deloitte NSE, the Company has adopted the Deloitte Shared Values which demonstrate how the Company will realise its ambition and grow value for all its stakeholders.

The Directors recognise that the decisions they make today will affect the Company's long-term success and are guided by Deloitte's Shared Values in the decision-making process, specifically, the balance between short-term and long-term investments. Certain values ('Lead the way', 'Collaborate for measurable impact') incorporate our aim to identify and develop new business opportunities that will facilitate sustainable growth in the future.

#### *Interests of employees*

Employees have a crucial role in delivering against the Company strategy and creating value therefore the maintenance of a diverse and highly skilled workforce is key to the Company's success. To this end, the Company works to attract, develop and retain talent equipped with the right skills and employees are always considered as part of executive management's discussions and decision-making.

The Directors are committed to continuous talent development; equal opportunity, fair pay practices and fostering an inclusive culture; and safe and healthy work environments. During the year, employee health, safety and wellbeing, especially during the COVID-19 pandemic, as well as diversity and inclusion have been a prominent focus of management discussions.

Communication channels with employees and other stakeholder relationships during the year are summarised in the next section.

## **Annual Report and Financial Statements 2021**

### **Strategic Report For the year ended 31 May 2021 (continued)**

#### ***Fostering business relationships with our key stakeholders***

##### **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 includes:

- Continued development of services across each industry sector
- Experienced Marketing and Bid teams
- Analysis of customer renewal cycles and new business opportunities
- Appointment of relationship managers across key clients
- Social media engagement and online tools, including newsletters and thought leadership content

##### **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 seeks to inform and consult with managers and staff regularly so as to involve them in the success of the business and to reward their efforts accordingly.

Engagement with the Company's employees includes:

- Annual engagement surveys, town halls, webinars and dedicated health and wellbeing campaigns
- Deloitte intranet and local sites
- Regular team and one-to-one meetings and continuous training and professional development
- Business resource groups and focus groups

Specific initiatives include: Future of Work, Black Action Plan, Pay Gap Reporting and Launch of 'My Wellbeing' site and mobile app.

##### **Suppliers**

Certain services the Company provides to its clients depend on services and supplies it procures from different organisations.

Engagement with the Company's suppliers includes:

- Reporting of payment practices and payment terms
- Contractor surveys, workshops, site visits and direct conversations
- Regular meetings with key/preferred suppliers of business support services

##### **Communities**

The Company is committed to addressing some of society's most pressing challenges by supporting local communities.

Engagement with the Company's communities includes social investment programmes, social media channels and community workshops and training.

Specific initiatives include:

- 5 Million Futures
- WorldClimate

A further description of these activities is located at the Deloitte LLP 2021 Annual Report website at: <https://www2.deloitte.com/uk/en/pages/annual-report-2021/stories.html/#impact-that-matters>.

## Annual Report and Financial Statements 2021

### Strategic Report For the year ended 31 May 2021 (continued)

#### *Impact of operations on the community and the environment*

The Company recognises its responsibility to help address environmental sustainability, a critical component of its operations, strategic initiatives and senior-level agendas. WorldClimate was launched during the year. WorldClimate is the commitment to be a net zero carbon organisation by 2030 by driving responsible climate choices within the organisation as well as with clients, alliance partners, suppliers and other stakeholders. In line with the Paris agreement, the Company has adopted greenhouse gas emissions reductions goals consistent with a 1.5 degrees Celsius pathway to be achieved by 2030. These address buildings' energy use and travel, and offsets air travel through the purchase of third-party verified carbon credits.

#### *Maintaining high standard of business conduct*

Each of the member firms of DTTL is required to conduct business in accordance with applicable laws, regulations and professional standards, providing quality service to clients and building trust and confidence in all markets the Company operates in. In addition, Deloitte NSE implements internal policies and standards to address important professional behaviour that may not be governed by professional requirements. Deloitte NSE has also implemented an ethics program which provides support to build ethical judgement and decision-making skills in all employees, further supported by a detailed local codes of conduct easily accessible to all staff. Deloitte NSE has an appointed Ethics Officer, and provides ethics training and channels for consulting on difficult issues and reporting suspected misconduct.

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.

#### *Acting fairly 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*

Two of the major decisions made this year were the acquisition of the Keytree business and the interim dividend payment. In making these decisions, the interests of and the impact on all stakeholders were considered.

##### **Keytree acquisition**

Management recommended the acquisition of the Keytree business in support of the Company's strategic ambition to build a profitable multi-disciplinary SAP-enabled transformation business in response to the changing needs of the market and the undeniable growing importance of technology on the long-term sustainability of the business. This recommendation followed an in-depth stakeholder impact analysis as part of the due diligence process to ensure the right balance of risks and benefits to key stakeholders. The acquisition subsequently completed on 1 October 2020.

The acquisition will significantly increase the Company's delivery capacity and capabilities in the digital transformation marketplace thereby maximising long-term success and returns for the parent company.

## Annual Report and Financial Statements 2021

### Strategic Report

#### For the year ended 31 May 2021 (continued)

##### Keytree acquisition (continued)

The acquisition included a skilled workforce and management was particularly cognisant of potential organisational cultural differences. Consequently, a key consideration for the acquisition was establishing that the target organisation was a good cultural fit. The employee workforce dedicated to the Keytree business were transferred to the Company with similar contractual terms and conditions as equivalent roles within the Company. Additionally, the Company agreed a transaction structure that incentivises the retention of transferring employees as well as long-term business growth. The combined workforce was kept informed of the change to the business through the intranet site, newsletters and regular town hall sessions.

The addition to the Company's existing business proposition will be beneficial to Keytree clients as they have now become part of a globally recognised brand for which digital transformation is a strategic focus. Existing clients of the Company will continue to receive best-in-class service in addition to enhanced capabilities for digital transformation projects.

As part of the sale, it was agreed that transitional support of certain supplier contract management services would continue to be provided by Keytree to allow an extended period to arrange an orderly migration of suppliers.

Management also concluded that the work that the Company does in the community will not be affected because of the acquisition.

##### FY21 Interim dividend

In reaching a conclusion on the level of dividend to be paid, the Directors assessed the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment. The Directors recommended an interim dividend of £80,000,000 (2020: £69,000,000) for the year. 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.

### KEY PERFORMANCE INDICATORS

Key financial and non financial performance indicators for the Company are turnover, profit before tax and staff numbers.

Turnover increased 9% from £1,035,752,000 to £1,124,220,000 and profit before tax increased 16% from £97,950,000 to £113,524,000. The key non-financial performance indicator for the Company is staff numbers, which increased by 403 - see Note 5 for more information.

See page 2 for discussion of these key performance indicators.

## **Annual Report and Financial Statements 2021**

### **Strategic Report For the year ended 31 May 2021 (continued)**

#### **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 UK withdrew from the European Union and a transitional period formally ended on 31 December 2020.

The Brexit risk has reduced considerably since last year as the Company have undertaken the regulatory actions, restructuring and financial analysis required. However, uncertainty remains around the impact on the business of new immigration restrictions, and any new regulatory restrictions implemented by member states in future.

Senior management will continue to evaluate the impact of Brexit on the business, both in terms of its own activities and those of its clients. Deloitte MCS Limited 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 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 2021, which does not form part of this report.

## **Annual Report and Financial Statements 2021**

### **Strategic Report**

**For the year ended 31 May 2021 (continued)**

#### **GOING CONCERN**

##### ***Implications of COVID-19***

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.

The COVID-19 pandemic has had a significant impact on people, businesses and communities everywhere, creating challenges for all. In line with prior year, the Group's overriding priorities in response to the COVID-19 crisis continued to be: protecting the health and safety of our people, clients and the community; minimising disruption to operations and client service delivery; and, preserving financial strength through cost containment and liquidity enhancement initiatives.

The UK Oversight Board has considered the impact that the COVID-19 pandemic has had on the Group's financial sustainability and operational resilience and reviewed the stress testing completed as part of the going concern assessments. Consequently, it is satisfied that the Group is in a strong position to face the ongoing challenges of the COVID-19 pandemic.

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

#### **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. See page 5 for more information.

#### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate adjustments are put in place and/ or training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

**Annual Report and Financial Statements 2021**

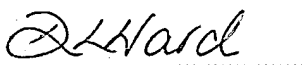
**Strategic Report  
For the year ended 31 May 2021 (continued)**

**FUTURE DEVELOPMENTS**

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

The Company performed well during the year ended 31 May 2021 and the Directors expect that the Company will continue to perform satisfactorily in 2022.

Approved by the Board of Directors on 14 February 2022  
and signed on behalf of the Board of Directors:



D L Ward  
Director

## **Annual Report and Financial Statements 2021**

### **Directors' Report For the year ended 31 May 2021**

The Directors present their annual report and the financial statements of the Company for the year ended 31 May 2021.

#### **DIRECTORS AND THEIR INTERESTS**

The name of the Directors who held office during the year are shown below. All Directors served throughout the year and to the date of this report, except as disclosed below:

D L Ward

G Bunting

S Griggs (appointed 1 October 2020)

D A Noon (resigned 1 October 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 2021, and, therefore, had an indirect beneficial interest in the share capital of the Company at 31 May 2021.

#### **DIVIDENDS**

The directors recommend a final dividend payment of £Nil be made in respect of the financial year ended 31 May 2021. This dividend has not been recognised as a liability in the financial statements.

An interim dividend of £80 million (£18.78 per ordinary share) was declared and paid during the current year. An interim dividend of £69 million (£16.20 per ordinary share) was declared and paid in the prior year.

#### **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.

#### **BRANCHES OUTSIDE THE UNITED KINGDOM**

The Company has permanent establishments for tax purposes in France, Hong Kong, India, Ireland and Saudi Arabia.

#### **DISCLOSURE AS PART OF STRATEGIC REPORT**

Information regarding the Company's relationships with employees, suppliers and customers, future developments and risk management objectives and policies have been disclosed in the Strategic Report. The Strategic Report is on pages 2 to 9.

## Annual Report and Financial Statements 2021

### Directors' Report For the year ended 31 May 2021 (continued)

#### STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

For the year ended 31 May 2021, the Company has adopted the Wates Corporate Governance Principles for Large Private Companies. The Directors 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 in the Strategic Report.

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 the Directors' Report. 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 2021.

##### *Principle 3 - Director responsibilities*

During the year the Directors continued to exercise all their duties as set out under Companies Act 2006 as they reviewed and considered proposals from senior management. As explained in the Strategic Report, the Directors fulfil their duties through a governance framework that delegates authority for day-to-day management and decision-making to senior management. The culture, values and standards that underpin this delegation ensure that management is acting in accordance with the strategy and plans set by Deloitte NSE.

##### *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 page 7.

##### *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 its key stakeholders and provided examples of how it engages with them within the Section 172 Statement on pages 3 to 4.

**Annual Report and Financial Statements 2021**

**Directors' Report  
For the year ended 31 May 2021 (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.

Approved by the Board of Directors on 14 February 2022 and signed on its behalf by:



D L Ward  
Director

## **Annual Report and Financial Statements 2021**

### **Statement of Directors' Responsibilities**

The Directors acknowledge their responsibilities 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 May 2021 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Deloitte MCS Limited (the 'Company') for the year ended 31 May 2021, which comprise the Profit and Loss Account, Balance Sheet, 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).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the 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.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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

We have nothing to report in this regard.

## **Independent Auditor's Report to the Members of Deloitte MCS Limited (continued)**

### **Other Companies Act 2006 reporting**

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.

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 or the Directors' 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company 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 Statement of Directors' Responsibilities, 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.

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to Deloitte MCS Limited and determined the most significant laws and regulations to be:
  - Those that relate to the reporting framework (FRS 102).
  - Laws and regulations relating to employee matters such as health and safety, equality, bribery and corruption practices.
  - Relevant tax compliance regulations in the jurisdictions in which the entity operates.

## Independent Auditor's Report to the Members of Deloitte MCS Limited (continued)

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

- We understood how Deloitte MCS Limited is complying with the relevant legal and regulatory frameworks by making enquiries of management and those charged with governance, internal audit and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes, legal correspondence and correspondence received from regulatory bodies and we agreed the financial statement disclosures through to underlying supporting documentation.
- We assessed the financial statements of the Group, to which the company forms an intrinsic part of, to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers including financially linked performance targets or other pressures, opportunity, and personal or corporate motivations. We obtained an understanding of the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals by identifying those which met a defined criteria and corroborating these on a sample basis through to supporting documentation and management explanations and testing key areas of estimation uncertainty or judgement, for example; valuation of amounts to be billed to customers for which we sampled projects using a risk based approach and assessed the year end position on these by agreeing to related supporting evidence.
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

*Andrew Radford*

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

14 February 2022

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 2021**

	<b>Note</b>	<b>2021 £ 000</b>	<b>2020 £ 000</b>
<b>Turnover</b>	<b>4</b>	<b>1,124,220</b>	<b>1,035,752</b>
External charges; expenses and disbursements on client assignments		(182,237)	(220,727)
Staff costs	<b>5</b>	(496,281)	(440,966)
Depreciation, amortisation and impairment	<b>10, 11</b>	(4,867)	(3,544)
Other operating expenses	<b>6</b>	(329,923)	(281,039)
Other income		<u>2,138</u>	<u>8,326</u>
<b>OPERATING PROFIT</b>	<b>6</b>	<b>113,050</b>	<b>97,802</b>
Finance income	<b>7</b>	<u>474</u>	<u>148</u>
<b>PROFIT BEFORE TAX</b>		<b>113,524</b>	<b>97,950</b>
Tax on profit	<b>8</b>	<u>(24,511)</u>	<u>(15,815)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>89,013</b></u>	<u><b>82,135</b></u>

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

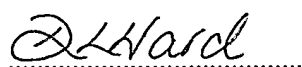
All amounts are derived from continuing activities.

**Balance Sheet**  
**As at 31 May 2021**

	Note	2021 £ 000	2020 £ 000
<b>FIXED ASSETS</b>			
Intangible assets	10	20,773	4,571
Tangible assets	11	100	390
Investments	12	29,349	32,490
Loans receivable	13	17,056	19,519
		<u>67,278</u>	<u>56,970</u>
<b>CURRENT ASSETS</b>			
Debtors	14	224,710	251,125
Deferred tax assets	8	3,910	1,440
Cash at bank and in hand		1,834	1,826
		<u>230,454</u>	<u>254,391</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(201,449)</u>	<u>(224,009)</u>
<b>NET CURRENT ASSETS</b>		<u>29,005</u>	<u>30,382</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		96,283	87,352
Provisions	16	<u>(57)</u>	<u>(139)</u>
<b>NET ASSETS</b>		<u>96,226</u>	<u>87,213</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	4,261	4,261
Profit and loss account	19	91,965	82,952
<b>SHAREHOLDERS' FUNDS</b>		<u>96,226</u>	<u>87,213</u>

These financial statements of Deloitte MCS Limited, registration number 03311052, were approved by the Board of Directors and authorised for issue on 14 February 2022.

Signed of behalf of the Board of Directors



D L Ward  
 Director

**Statement of Changes in Equity**  
**For the year ended 31 May 2021**

	<b>Share capital</b> <b>£ 000</b>	<b>Profit and loss account</b> <b>£ 000</b>	<b>Total</b> <b>£ 000</b>
<b>At 1 June 2019</b>	4,261	69,817	74,078
Profit and total comprehensive income for the year	-	82,135	82,135
Dividends (Note 9)	-	(69,000)	(69,000)
<b>At 31 May 2020</b>	4,261	82,952	87,213
Profit and total comprehensive income for the year	-	89,013	89,013
Dividends (Note 9)	-	(80,000)	(80,000)
<b>At 31 May 2021</b>	<u>4,261</u>	<u>91,965</u>	<u>96,226</u>

**Notes to the Financial Statements  
For the year ended 31 May 2021**

**1 GENERAL INFORMATION**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Hill House  
1 Little New Street  
London  
EC4A 3TR

These financial statements were authorised for issue by the Board of Directors on 14 February 2022.

**2 ACCOUNTING POLICIES**

**Summary of significant accounting policies and key accounting estimates**

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

**Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

**Basis of preparation**

These financial statements have been prepared under the accruals concept and using the historical cost convention unless otherwise stated.

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; and
- (c) from disclosure requirements relating to financial instruments.

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**2 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 the period through to 31 May 2023, 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. 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.

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.

**Consolidation**

The financial statements contain information about Deloitte MCS Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Deloitte NSE LLP, a company incorporated in England and Wales.

**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 incurred on client assignments but excluding value added tax. Recoverable expenses represent sub-contractor costs and disbursements incurred in respect of assignments and expected to be recovered from clients.

Turnover is recognised in the period in which services are rendered by reference to the stage of completion of the contract at the end of the reporting period only if the following conditions are satisfied:

- the amount can be measured reliably;
- it is probable that the economic benefits associated with the contract will flow to the Company;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred for the contract and the costs to complete the contract can be measured reliably.

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**2 ACCOUNTING POLICIES (continued)**

**Turnover (continued)**

The stage of completion is determined as outlined below for the Company's various contract types:

- The majority of the Company's turnover is derived from contracts where the consideration is based on time and materials. For these contracts, turnover is recognised over time as services are provided at the fee rate agreed with the client.
- Turnover derived from fixed fee contracts is recognised over time based on the value of the actual services provided to the end of the reporting period relative to total services to be provided, generally assessed by reference to actual inputs of time and expenses as a proportion of the total expected inputs.
- Contingent-fee contracts are recognised when the contingent event occurs.
- Transaction-related fees such as data storage or data processing fees are priced on a unit basis and are typically recognised as the underlying transactions or usage take place.

Other than for contingent-fee contracts, fees are typically billed on account as services are provided based on a payment schedule. Where payments are received from clients in advance of services provided, the amounts are deferred and included in creditors as 'progress billings'. Services provided to the client which have not been billed at the reporting date have been recognised as turnover and are included in debtors as 'amounts to be billed to clients'.

**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.

**Finance income**

Finance income is recognised in profit and loss using the effective interest rate method.

**Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated. All remeasurement differences are recorded in the profit and loss account.

## Notes to the Financial Statements

### For the year ended 31 May 2021 (continued)

## 2 ACCOUNTING POLICIES (continued)

### Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

### Tangible assets

Tangible assets are stated at cost, net of depreciation on a straight line basis and any provision for impairment. Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, as follows:

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

### Business combinations

Business combinations are accounted for using 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.

### Intangible assets

Intangible assets are stated at cost less any accumulated amortisation on a straight line basis and accumulated impairment losses. Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Goodwill	5 to 9 years
Brand and relationships	5 to 10 years
IT software	3 to 7 years

### Investments in subsidiaries and associates

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

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**2 ACCOUNTING POLICIES (continued)**

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

**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.

**Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value 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.

**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 Section of the Deloitte Pensions Master Plan (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.

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**2 ACCOUNTING POLICIES (continued)**

**Financial instruments**

*Financial assets*

Financial assets are initially recognised at transaction price (including transaction costs). Financial assets include loans receivable, cash and bank balances, client debtors, amounts to be billed to clients and certain other trade receivables. Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

*Financial liabilities*

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost, using the effective interest rate method. Financial liabilities include trade and other creditors (excluding progress billings and accruals).

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

*Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**3 CRITICAL ACCOUNTING JUDGEMENTS**

In the application of the Company's accounting policies, which are described in Note 2, 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.

## Notes to the Financial Statements

### For the year ended 31 May 2021 (continued)

#### 3 CRITICAL ACCOUNTING JUDGEMENTS (continued)

##### *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.

In determining revenue recognition on client engagements in which services are delivered by a multi-disciplinary team of employees from both the Company and other Deloitte entities, the Company makes judgements to determine which entity is acting as the principal for each service provided. In making these judgements the Company considers which entity has the primary responsibility to deliver the service, which entity has inventory risk, which entity establishes the price of the service and which entity has credit risk. When the Company is determined to be the principal, the full amount of revenue related to that service is recognised by the Company. If the Company is determined to be the agent, the Company recognises revenue for the services delivered by employees of the Company.

##### *Control of the Consulting business of Deloitte & Touche Middle East Limited*

In the prior year, the Company, through a contractual agreement, had the power and ability to direct activities that significantly affected the returns as well as exposure or rights to variable returns in one of the legal entities forming part of the Middle East Consulting business, Deloitte & Touche Middle East Limited ('DTME').

Effective 1 June 2020, a new contractual arrangement came into place giving Deloitte NSE LLP direct controlling interest in DTME. Consequently, from 1 June 2020, the Company is no longer deemed to have control over DTME in respect of its underlying consulting operations.

#### 4 TURNOVER

All of the Company's revenue in the current and previous years was derived from the UK.

#### 5 STAFF NUMBERS AND COSTS

The aggregate payroll costs were as follows:

	2021 £ 000	2020 £ 000
Salaries	411,009	354,028
Social security costs	46,289	40,758
Other pension costs (see Note 17)	38,983	46,180
	<u>496,281</u>	<u>440,966</u>

The average number of persons employed by the Company during the year, analysed by category was as follows:

	2021 No.	2020 No.
Fee earning staff	5,130	4,737
Support staff	188	178
	<u>5,318</u>	<u>4,915</u>

# Notes to the Financial Statements For the year ended 31 May 2021 (continued)

## 5 STAFF NUMBERS AND COSTS (continued)

### 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 totalling £15,663,444 (2020: £13,687,856) which qualify for "Research and Development Expenditure Credits" (RDEC) CTA 2009, Part 3, Chapter 6A.

## 6 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2021 £ 000	2020 £ 000
External charges: expenses and disbursements on client assignments	182,237	220,727
Depreciation and amortisation on owned assets:		
- Amortisation expense (Note 10)	4,786	3,486
- Depreciation expense (Note 11)	81	58
Loss on disposal of tangible assets	347	-
Net reversal of impairment of owned assets - investments	-	(773)
Operating lease payments:		
- Land and buildings	2,287	4,452
Service charge	148,300	85,597
Net foreign exchange losses / (gains)	6,934	(2,464)

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 Deloitte LLP.

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

## 7 FINANCE INCOME

	2021 £ 000	2020 £ 000
Interest income	474	148

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**8 TAXATION**

Tax charged in the income statement comprises:

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax on profits for the period	22,627	18,196
Adjustment in respect of previous periods	<u>4,293</u>	<u>(1,954)</u>
	26,920	16,242
Foreign tax suffered	<u>61</u>	<u>154</u>
<b>Total current income tax</b>	<u>26,981</u>	<u>16,396</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	(129)	(480)
Effect of changes in tax rates	(807)	(101)
Adjustment in respect of previous periods	<u>(1,534)</u>	<u>-</u>
<b>Total deferred taxation</b>	<u>(2,470)</u>	<u>(581)</u>
<b>Total tax expense in the income statement</b>	<u>24,511</u>	<u>15,815</u>

The Company's effective rate of Corporation Tax for the year was 22% (2020: 16%), higher than the standard rate of Corporation Tax in the UK of 19% (2020: lower than the standard rate of 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
<b>Profit before tax</b>	<u>113,524</u>	<u>97,950</u>
Corporation tax at standard rate	21,570	18,611
<b>Effects of:</b>		
Expenses not deductible	1,165	534
Income not taxable	142	(1,145)
Effects of overseas tax rates	25	52
Adjustment from previous periods	2,416	(1,954)
Tax rate changes	<u>(807)</u>	<u>(283)</u>
<b>Total tax charge</b>	<u>24,511</u>	<u>15,815</u>

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**8 TAXATION (continued)**

**Deferred taxation**

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Deferred tax asset</b>		
At 1 June	1,440	859
Adjustment in respect of prior periods	1,534	-
Origination and reversal of timing differences	129	480
Effect of changes in tax rate	807	101
At 31 May	<u>3,910</u>	<u>1,440</u>

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Deferred tax consists of:</b>		
Fixed asset timing differences	1,373	1,440
Losses	2,537	-
Deferred tax asset	<u>3,910</u>	<u>1,440</u>

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.

**9 DIVIDENDS**

**Interim dividends paid**

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Interim dividend of £18.78 (2020: £16.20) per each ordinary share	<u>80,000</u>	<u>69,000</u>

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**10 INTANGIBLE ASSETS**

	<b>Goodwill</b> <b>£ 000</b>	<b>Brand and</b> <b>relationships</b> <b>£ 000</b>	<b>IT software</b> <b>£ 000</b>	<b>Total</b> <b>£ 000</b>
<b>Cost</b>				
At 1 June 2020	15,138	3,587	1,308	20,033
Additions acquired separately	<u>8,890</u>	<u>8,300</u>	<u>3,798</u>	<u>20,988</u>
At 31 May 2021	<u>24,028</u>	<u>11,887</u>	<u>5,106</u>	<u>41,021</u>
<b>Amortisation</b>				
At 1 June 2020	12,457	2,243	762	15,462
Amortisation charge	<u>2,181</u>	<u>1,175</u>	<u>1,430</u>	<u>4,786</u>
At 31 May 2021	<u>14,638</u>	<u>3,418</u>	<u>2,192</u>	<u>20,248</u>
<b>Carrying amount</b>				
At 31 May 2021	<u>9,390</u>	<u>8,469</u>	<u>2,914</u>	<u>20,773</u>
At 31 May 2020	<u>2,681</u>	<u>1,344</u>	<u>546</u>	<u>4,571</u>

Included in additions above are intangible assets which were acquired as part of the acquisition of the trade and assets of Keytree Limited and were separately identifiable. See Note 18 for more details.

As at 31 May 2021, Goodwill relating to Market Gravity Limited has an estimated remaining useful life of one year.

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 2021 (continued)**

**11 TANGIBLE ASSETS**

	Freehold property £ 000	Fixtures and fittings £ 000	Leasehold improvements £ 000	Total £ 000
<b>Cost</b>				
At 1 June 2020	1,102	865	191	2,158
Additions	-	55	92	147
Disposals	(1,102)	(841)	(191)	(2,134)
At 31 May 2021	-	79	92	171
<b>Depreciation</b>				
At 1 June 2020	760	860	148	1,768
Charge for the year	3	9	69	81
Disposal	(763)	(842)	(173)	(1,778)
At 31 May 2021	-	27	44	71
<b>Carrying amount</b>				
At 31 May 2021	-	52	48	100
At 31 May 2020	342	5	43	390

Freehold property includes freehold land of £nil (2020: £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 2021 (continued)**

**12 INVESTMENTS**

	<b>Subsidiaries £ 000</b>	<b>Associates £ 000</b>	<b>Total £ 000</b>
<b>Cost</b>			
At 1 June 2020	35,264	6,328	41,592
Additions	340	1,674	2,014
Disposals	(4,261)	-	(4,261)
Repayments	-	(2,554)	(2,554)
At 31 May 2021	<u>31,343</u>	<u>5,448</u>	<u>36,791</u>
<b>Provision</b>			
At 1 June 2020	9,102	-	9,102
Disposals	(1,660)	-	(1,660)
At 31 May 2021	<u>7,442</u>	<u>-</u>	<u>7,442</u>
<b>Carrying amount</b>			
At 31 May 2021	<u>23,901</u>	<u>5,448</u>	<u>29,349</u>
At 31 May 2020	<u>26,162</u>	<u>6,328</u>	<u>32,490</u>

During the current year, the Company made the following transactions in respect of subsidiary and associate undertakings:

- On 26 May 2021, the Company agreed to make a capital contribution of £339,812 (SEK 4,000,000) to Deloitte MCS AB.
- During the year the following subsidiaries were liquidated: Praxis Limited (dissolved 1 March 2021), Praxis South East Limited (dissolved 2 March 2021), Praxis Systems Limited (dissolved 2 March 2021), Praxis Warwick Limited (dissolved 2 March 2021) and Program Validation Limited (dissolved 2 March 2021). The carrying value of these investments as at 31 May 2020 was £2,601,054.
- Additional contributions totalling £1,673,717 (\$2,286,739) were made and capital repayments totalling £2,553,790 (\$3,537,145) were received from DTME 2 LLP during the year.

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**12 INVESTMENTS (continued)**

**Details of undertakings**

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of shares held	
			2021	2020
Direct subsidiary undertakings				
ACNE AB	Box 160 69, 103 22 Stockholm, Sweden	Ordinary	100%	100%
Market Gravity Limited	Hill House, 1 Little New Street, London, EC4A 3TR	Ordinary	100%	100%
Monitor Deloitte Limited	Hill House, 1 Little New Street, London, EC4A 3TR	Ordinary	100%	100%
Deloitte MCS AB	Tulegatan 15, 113 53 Stockholm, Sweden	Ordinary	100%	100%
Direct associated undertakings				
DTME 2 LLP (*)	Gategny Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 4EW		-	-

\* 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.

Undertaking	Registered office	Holding	Proportion of shares held	
			2021	2020
Indirect subsidiary undertakings				
ACNE Advertising AB	Box 160 69, 103 22 Stockholm, Sweden	Ordinary	100%	100%
ACNE GmbH (in liquidation)	Elbestrasse 28/29,12045 Berlin, Germany	Ordinary	100%	100%
ACNE Film AB	Box 160 69, 103 22 Stockholm, Sweden	Ordinary	100%	100%
ACNE Photography AB	Box 160 69, 103 22 Stockholm, Sweden	Ordinary	100%	100%
ACNE Production Limited	Hill House, 1 Little New Street, London, EC4A 3TR, UK	Ordinary	100%	100%
Market Gravity Proposition Design Canada Limited (in liquidation)	C/O Wills & Murphy, 1800-1631 Dickson Avenue, Kelowna, BC V1Y 0B5, Canada	Ordinary	100%	100%
Monitor Company Europe *	Hill House, 1 Little New Street, London, EC4A 3TR, UK	Ordinary	92.4%	92.4%
Monitor Company UK Limited	Hill House, 1 Little New Street, London, EC4A 3TR, UK	Ordinary	100%	100%

\* 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.

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**13 LOANS RECEIVABLE**

	<b>£ 000</b>
<b>Cost</b>	
At 1 June 2020	19,519
FX revaluations	<u>(2,463)</u>
At 31 May 2021	17,056
<b>Provision</b>	
At 31 May 2021 and 2020	<u>-</u>
<b>Carrying amount</b>	
At 31 May 2021	<u>17,056</u>
At 31 May 2020	<u>19,519</u>

**DTME 2 LLP**

At 31 May 2020, the Company had provided working capital loans totalling US\$ 22 million 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. The carrying value as at 31 May 2021 is £15,509,560 (2020: £17,902,335).

**Deloitte European Support Services Limited**

On 27 August 2019, a loan of €1.8 million 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. The carrying value as at 31 May 2021 is £1,546,179 (2020: £1,616,887).

**14 DEBTORS**

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Client debtors	127,719	130,736
Amounts to be billed to clients	68,854	75,180
Amounts due from other member firms of Deloitte Touche Tohmatsu Limited ('DTTL')	20,076	30,533
Corporation tax recoverable	1,318	10,363
Other debtors	5,696	3,954
Prepayments and accrued income	<u>1,047</u>	<u>359</u>
	<u>224,710</u>	<u>251,125</u>

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

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**15 CREDITORS: amounts falling due within one year**

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Progress billings for client work	69,408	54,427
Trade creditors	3,347	1,351
Amounts owed to other group undertakings	33,687	95,637
Amounts due to other member firms of DTTL	9,469	10,870
Social security and other taxes	9,394	9,625
Other creditors	-	352
Accruals	76,144	51,747
	<u>201,449</u>	<u>224,009</u>

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

**16 PROVISIONS AND CONTINGENT LIABILITIES**

	<b>Property provision £ 000</b>
At 1 June 2020	139
Provisions used	<u>(82)</u>
<b>At 31 May 2021</b>	<u><b>57</b></u>

**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 (2020: £nil).

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**17 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.

At 31 May 2021 and 2020, the Company had no contributions payable to the DPP.

The total cost charged as an expense for the year represents employer contributions payable to these schemes by the Company and amounted to £38,983,000 (2020 : £46,180,000). Contributions for the year ended 31 May 2021 were lower than in previous years due to the COVID-19 response action points implemented by the Board between June 2020 and May 2021.

**Defined benefit pension schemes**

The Company is a participating employer in the defined benefit pension scheme run by Deloitte LLP. During the year, Deloitte LLP provided retirement benefits on a defined benefit basis through the Deloitte UK Pension Scheme ('DUKPS') up until 31 March 2021. On 1 April 2021, the assets and liabilities of DUKPS were transferred to the DUKPS Section of the Deloitte Pensions Master Plan (the 'Scheme') through which employees' retirement benefits were managed for the rest of the year. There were no changes to the benefits provided to the members.

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

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.

Full details of the assets and liabilities of the Scheme and the assumptions used for the Scheme's actuarial valuation are included in the notes of the Deloitte LLP financial statements.

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**18 BUSINESS COMBINATIONS**

**Acquisition of trade and assets of Keytree Limited**

On 1 October 2020, the Company acquired the trade and assets of Keytree Limited for total consideration of £20,875,627. Keytree Limited is an international technology consultancy business based in the UK with specialism in the provision of enterprise digital solutions. As a result of the acquisition, the Company expects to strengthen and expand its capacity to support clients' digital transformation projects.

The following table summarises the consideration paid by the Company and the fair value of assets acquired and liabilities assumed.

	<b>2021</b>
	<b>£ 000</b>
Cash	20,637
Directly attributable costs	<u>239</u>
<b>Total consideration</b>	<b><u>20,876</u></b>
Brand and relationships	8,300
IT software	<u>3,798</u>
Total intangible assets	12,098
Tangible assets	147
Other receivables	490
Other payables	<u>(749)</u>
<b>Total identifiable net assets</b>	<b><u>11,986</u></b>
Goodwill	<u><u>8,890</u></u>

The goodwill arising on the transaction is £8,890,000. Management have estimated the useful life of the goodwill to be 9 years. This estimate is based on the expected useful lives of the related other intangible assets of the acquired business.

The Company acquired other intangibles comprising the Keytree brand, customer relationships and software. These assets have been recognised separately from goodwill because the customer relationships derive from existing customer contracts novated; the brand and software recognised are represented by the intellectual property acquired.

Revenue of £21,000,000 and profit of £4,000,000 from the Keytree business for the period between the date of acquisition and the reporting date have been included in the profit and loss account.

**Notes to the Financial Statements**  
**For the year ended 31 May 2021 (continued)**

**19 CALLED UP SHARE CAPITAL AND RESERVES**

Called up, allotted and fully paid:

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	4,260,526	4,260,526	4,260,526	4,260,526

The Company has one class of ordinary share which carry no right to fixed income.

**20 OBLIGATIONS UNDER LEASES**

**Operating leases**

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	568	-
Later than one year and not later than five years	607	-
	<u>1,175</u>	<u>-</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £2,287,000 (2020 - £Nil).

**21 PARENT AND ULTIMATE PARENT UNDERTAKING**

The company's immediate parent is D&T Consulting Holdings Limited, incorporated in England and Wales.

The ultimate parent and controlling party is Deloitte NSE LLP, incorporated in England and Wales.

The largest and smallest parent entity producing publicly available financial statements is Deloitte NSE LLP. These financial statements are available upon request from The Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.