Deloitte.

Financial Statements

2015

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Report to Members

The Board presents its report to the members and the audited financial statements of Deloitte LLP (Deloitte), for the year ended 31 May 2015. The financial statements incorporate the consolidated (Group) and separate financial statements of Deloitte (parent) and entities controlled by the parent.

Executive Group

Deloitte's activities are managed by the Senior Partner and Chief Executive and the Executive Group, which is appointed by the Senior Partner and Chief Executive. In keeping with Deloitte's client service focus, all members of the Executive Group are also actively engaged with Deloitte's clients.

The current members of the Executive Group are: **David Sproul**, Senior Partner and Chief Executive, **Emma Codd**, Managing Partner Talent, **Mark FitzPatrick**, Managing Partner Clients and Markets, **Vimi Grewal-Carr**, Managing Partner Innovation and Delivery Models, **Stephen Griggs**, Managing Partner Audit & Risk Advisory, **Andy Hodge**, Managing Partner Tax, **Richard Houston**, Managing Partner Consulting, **Neville Khan**, Managing Partner Financial Advisory, **Pat Loftus**, Vice Chair, **Paul Robinson**, Managing Partner Operations, **Sharon Thorne**, Managing Partner Global and **Stephen Ward**, Managing Partner Quality and Risk.

The Vice Chair is a rotating role for a term of twelve to eighteen months and is to further support the client connection of the Executive Group.

Senior Partner and Chief Executive

David Sproul, the Senior Partner and Chief Executive of Deloitte, has full executive authority for the management of the Group. The Senior Partner and Chief Executive is nominated by the Board and elected by the members for a four-year term of office. David Sproul began his second term as Senior Partner and Chief Executive on 1 June 2015.

The responsibilities of the Senior Partner and Chief Executive fall under five principal headings:

- the business of Deloitte, including the development and management of services at the highest level of quality and compliance with all regulations;
- the development of policies and strategic direction;
- financial performance;
- members, including the development and management of Deloitte's talent goals; and
- international, representing the UK firm's association with Deloitte Touche Tohmatsu Limited ('DTTL').

Board

The Board is responsible for the oversight of the Executive Group and the promotion and protection of member interests. It determines Deloitte's long-term strategies and has specific oversight of risk and quality.

As with the Senior Partner and Chief Executive, the Chairman is nominated by the Board and elected by the members and serves a four-year term of office. David Cruickshank completed his second term of office as Chairman on 31 May 2015. Nick Owen commenced his first term of office as Chairman on 1 June 2015. The separation of the roles of the Chairman and the Senior Partner and Chief Executive provides a strong measure of accountability for the Executive Group.

The current Board comprises:

Nick Owen, Chairman, **David Sproul**, Senior Partner and Chief Executive, **Zahir Bokhari**, **Emma Codd**, **Nick Edwards**, **Mark FitzPatrick**, **Chris Loughran**, **Anna Marks**, **John Maxey**, **Chris Powell**, **Paul Robinson**, **Maxine Saunders**, **Reto Savoia**, and **Denis Woulfe**. Independent Non-Executives who served throughout the year were: **Sir Gerry Grimstone** and **Sir Michael Peat**. **Ruth Markland** was appointed on 1 April 2015.

Principal activity

The principal activity of Deloitte is the provision of audit and risk advisory, tax, consulting and financial advisory services in the United Kingdom and the Channel Islands and through its subsidiaries, in Switzerland. Historically, Deloitte CIS was treated as an associate. Due to the introduction of IFRS 10, the definition of control has been widened and the entity is now treated as a subsidiary. Details can be seen in note 28. In addition, financial advisory services are also provided in the Middle East by a joint venture with the local DTTL member firm.

Strategy

Deloitte's vision is to be the distinctive firm, standing out from the competition through the impact Deloitte has on the reputation and success of its clients and through its contribution to a sustainable and prosperous society. This vision will be achieved through actions which:

- build distinctive client relationships through a deep focus on industries and private markets;
- secure market leadership in more industries, regions, integrated market offerings ('Big Plays') and services;
- invest in innovation to continually refresh its services and ensure it is bringing the most innovative thinking to clients;

- enable a global approach to building client relationships and service delivery;
- create a high performance environment in which the best people thrive;
- build Deloitte's brand to reinforce its client and market positioning;
- continue to embed quality and integrity across all dimensions of Deloitte; and
- recognise Deloitte's wider role and responsibilities to act in the public interest.

Structure

Deloitte is incorporated as a Limited Liability Partnership under the Limited Liability Partnerships Act 2000 and is wholly-owned by its members. The principal subsidiary undertakings of Deloitte are set out in note 27.

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) during the year were: **David Cruickshank**, **Stephen Griggs**, **Andy Hodge**, **Neville Kahn**, **Panos Kakoullis**, **Steve Almond**, **Graham Richardson**, **David Sproul** and **Stephen Ward**. All the designated members, except David Cruickshank and Graham Richardson, served as a member of the Executive Group. Steve Almond and Vince Niblett retired as members on 31 May 2015 and ceased to be designated members at that date.

Business performance

Deloitte's results for the year to 31 May 2015 are positive and with continued focus on quality, clients and its people, the Group has achieved a strong financial performance.

Revenues were £2,827m, up 5.6% on last year. The profit for the financial year distributable to members was £593m against £554m in the prior year. The profit for the financial year based on the Group's equity accounts was £641m (2014: £599m). This has delivered an average profit to each member of £889,000 (2014: £811,000). The average profit earned by each member in the year, after providing for pensions and annuities payable during the year to retired members, was £822,000 (2014: £750,000).

People

Staff costs of £1,233m were 6% higher, reflecting both a continued increase in headcount and further investment in staff during the year.

Assets and liabilities

Total assets were £1,197m (2014: £1,090m). Total members' interests before deducting provisions for current and retired members' annuities were £402m (2014: £355m). Provisions for current member annuities amounted to £642m (2014: £526m) and provisions for retired member annuities amounted to £658m (2014: £606m). Annuity payments to members commence when the member reaches the age of 60.

The provisions are unfunded, are dependent on the future generation of profits and are capped at 8% of applicable Group profit in any financial year. Amounts provided in these accounts in respect of retired members include £369m (2014: £332m) which arises after 10 years, of which £123m (2014: £107m) is payable between 10 and 15 years and £246m (2014: £225m) is payable after 15 years.

Cash flow

Net cash inflow from operating activities for the year was £576m (2014: £646m).

The main treasury risks relate to interest, liquidity and currency.

The primary currency is Pounds Sterling but certain expenses and charges from overseas offices are denominated in other currencies. Some fees are rendered in other currencies and the foreign subsidiary undertakings have functional currencies different from that of the Group. The volume and timing of currency inflows and outflows provide a natural hedge.

The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities and by continually monitoring forecast and actual cash flows. The Group recognises that interest rates are liable to fluctuate and accepts this risk and does not consider it to be material to the Group.

Finance and capital structure

At the balance sheet date, fixed capital amounted to £133m (2014: £129m), an average of £184,000 (2014: £175,000) per member. Profit distributable to members is determined by the Group's equity accounts which are based on accounting policies which differ from International Financial Reporting Standards (IFRS). The principal differences relate to the accounting treatment of annuities and pension schemes. The distributable profit for the year based on the equity accounts was £593m (2014: £554m), the balance of which will, in accordance with the current distribution policy, be released to members in the 12 month period following the year end.

The balance of the Group's funding is provided by bank facilities and Private Placement Loan Notes. The Group continues to maintain a significant level of committed undrawn facilities, enabling the Group to respond rapidly to opportunities and to fund initiatives, without the need for specific financing. Deloitte CIS is funded through a bank facility and a variation agreement with DTTL.

Members' drawings and capital

All members are equity members and share in the profits and subscribe to the capital of Deloitte. Each member's capital subscription is linked to his or her share of profit and is repaid in full on ceasing to be a member. The rate of capital subscription is determined from time to time depending upon the financing requirements of the business.

Members draw a proportion of their profit share, in 12 monthly on account instalments, during the year in which the profit is made, with the balance of their profits, net of a tax retention, paid in instalments in the subsequent year. All payments are made subject to the cash requirements of the business. Tax retentions are paid to HM Revenue & Customs on behalf of members with any excess being released to members as appropriate.

Members' profit sharing

Members' profit shares are based upon a comprehensive evaluation of their individual contribution to the achievement of the Group's strategic objectives.

Each member is assigned to an equity group, which is reviewed annually and which describes the attributes, skills and broad performance expected of him or her.

Each equity group carries a wide band of profit sharing units so that relative contributions can be recognised.

Seven key criteria are used for assessing the performance and contribution of each member to the success of Deloitte. These are:

- Quality
  Each member must be a role model for quality in his or her professional work.

- Talent
  Each member's contribution to mentoring, leading, recruitment, engagement, development and training Deloitte's people is assessed.

- Clients
  Each member is assessed on client portfolio managed and roles carried out.

- Brand and Eminence
  Market-related activity of each member is assessed, including regulatory relations, thought leadership, innovation and brand protection roles.

- Revenue Generation, Growth, Business Building
  Each member's overall contribution to business development building and relationship building is assessed.

- Financial Success
  Each member's overall contribution to the financial success of Deloitte is assessed.

- Leadership and Management
  Each member's contribution to Deloitte's broad success through leadership and management roles is assessed.

All members are expected to be ambassadors for Deloitte externally and leaders by example to all of its employees in everything they do. Certain attributes transcend all equity groups. These are:

- integrity;
- quality service to its clients;
- the highest levels of technical excellence;
- development of people;
- compliance with Deloitte's policies and standards and external regulatory requirements; and
- high quality management of risk.

Members who provide audit and risk advisory services are expected to be responsive to their clients' service needs. However, Deloitte's policy is that they are not evaluated or remunerated on the selling of other services to their audit and risk advisory clients.

Member performance is evaluated by means of a formal appraisal process which reviews the contribution of each member across all designated competencies. The profit sharing process begins with the Board's approval of the profit sharing strategy, proposed by the Senior Partner and Chief Executive and concludes with the Board's review and as appropriate, approval of the recommended profit allocation and future equity group for each individual member, the conclusions of which are disclosed in full to all members. A committee of Board members is tasked with overseeing the management process to ensure consistent and equitable treatment.

Creditor payment policy

Deloitte's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction and to ensure suppliers are made aware of and abide by the terms of payment.

Trade creditors of the Group at 31 May 2015 were equivalent to 19 days' (2014: 23 days') purchases, based on the average daily amount invoiced by suppliers during the year.

UK tax contributions

Deloitte makes a significant contribution to the UK Exchequer through the taxes paid by the members, the business and employees. In total this is estimated to be £369m in respect of the past year (2014: £356m).

The tax borne by the members of Deloitte relates to the profits distributed to them in the following financial year. Income tax and national insurance payable by members on the current year distributable profit arising in the UK are estimated to be £229m (2014: £231m). This will result in an estimated average effective rate of tax for members of approximately 47% (2014 actual: 48%).

A further £140m (2014: £125m) is estimated as payable in respect of employer national insurance, business rates and corporate tax.

In addition, Deloitte has collected business taxes on behalf of the UK Exchequer of £521m (2014: £511m) which includes; employee tax and national insurance of £237m (2014: £223m) and VAT of £284m (2014: £288m).

Political donations

Deloitte's policy is not to give cash contributions to any political party or other groups with a political agenda. However, Deloitte seeks to develop and maintain constructive and balanced relationships with political parties and may make available partner, staff and adviser resources, and technical and factual information, on occasion.

Disclosures on such matters for companies are covered by the Political Parties, Elections and Referendums Act. Although the scope of this Act does not cover Limited Liability Partnerships, we regard it as appropriate to disclose equivalent details. For the period ended 31 May 2015 Deloitte donated £217,836 (2014: £24,641) to the Labour Party through the provision of staff and adviser resources.

Corporate social responsibility and business development

Details of the Group's commitment to corporate social responsibility and business development can be found in the Deloitte Impact Report at www.deloitte.co.uk/impact.

Going concern

The financial position of the Group, its cash flow and liquidity position are described above. In addition, note 25 of the financial statements provides details of the borrowing facilities and includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources. In addition to £100m (2014:£100m) of Private Placement Loan Notes, the Group has £400m (2014: £484m) of committed and uncommitted facilities, of which £400m was undrawn at 31 May 2015 (2014: £484m). These facilities include revolving credit facilities totalling £300m which are due to expire in September 2019, £65m overdraft facilities which are due to expire between September 2015 and December 2015 and a £35m uncommitted facility which is indefinite.

As at 31 May 2015, Deloitte CIS had total borrowing facilities of £26m ($40m) (2014: £nil). These facilities include a £10m ($15m) committed facility due to expire on 30 September 2016. As at 31 May 2015 the undrawn amount of this facility was £8m ($12m).

In addition, Deloitte CIS had a £16m ($25m) uncommitted facility due to expire on 30 September 2017. As at 31 May 2015, the facility had £16m ($25m) available.

The Group has a strong focus on working capital management. In addition, Deloitte has a broad client base across each of its segments and industry offerings. The Board believes that the Group is well placed to manage its business risks successfully.

The Board, following a review of its profit and cash flow plans, has concluded, at the time of approving the financial statements that the parent partnership and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Deloitte continues to adopt the going concern basis in preparing this report and financial statements.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 29.

Disabled employees

The Group 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 Group's policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Principal risks and uncertainties

Enterprise risks

The Group plans and manages its activity in accordance with prevailing and expected trends in the business environment. Consideration of existing, changing and emerging risks is fundamental to Deloitte's success and the Group continues to invest in risk mitigations and monitoring.

In the year Deloitte has continued to invest further in: data security to address evolving threats to security (including cyber-attacks); IT to ensure it supports Deloitte's current and future activities; and in innovation and the use of new delivery models. Deloitte has also anticipated and responded to market changes by further strengthening the Group's funding by building resilience to recognise that audit rotation may present challenges if a current lender was to become an audit client; keeping the balance of its client portfolio under review in the light of audit rotation; and continuing to build its relations with DTTL and member firms in line with Deloitte's global approach to building client relationships and service delivery.

The Executive Group's assessment of the potential risks to the achievement of the Group's strategy and to maintaining Deloitte's reputation is set out in an embedded Enterprise Risk Framework (ERF) and includes consideration of the economic and capital markets, the public interest, clients, regulators, members and employees, other key stakeholders, infrastructure, resources and the operating environment.

Each enterprise risk is owned by a member of the Executive Group and risk is considered at Executive Group meetings. Every six months a full assessment of each enterprise risk is made by each Risk Owner and following challenge by the Managing Partner and Quality & Risk the assessment is discussed by the Executive Group. In addition, the Executive Group undertakes a full annual refresh of the enterprise risks. The results of the six-monthly updates and annual refresh are discussed with the Audit & Risk Committee which provides a further challenge to the Executive Group's assessments. For each risk an Assurance Framework setting out the related mitigating, monitoring and assurance activities is reviewed by the Audit & Risk Committee and Board and is a key element of the review of the effectiveness of Deloitte's system of internal control.

In 2015, as part of the annual refresh and ongoing review of Deloitte's enterprise risks, the Executive Group disaggregated audit quality from risk of failure in service quality to ensure that specific focus was maintained on this vital area and emphasised the impact of audit rotation on the firm's ability to maintain an optimal client and industry portfolio. The risk of IT infrastructure failure was also escalated to a priority enterprise risk given the increasing demands on the infrastructure by practitioners and clients. The risk of DTTL's failure to satisfactorily discharge its responsibilities was added given that achievement of Deloitte's strategy is impacted by the provision of centralised services and the need for collaboration of the member firms.

At 31 May 2015 the enterprise risks which the Executive Group, Audit & Risk Committee and the Board considered to have the most potential significant impact on Deloitte's reputation, if they materialised, and related key mitigations were:

Risk	Mitigation
Systematic or major failure of audit quality: inability to prevent significant and/or multiple failures in delivery of audit quality, including failures brought about by unsuccessful deployment and implementation of technology or methodology and risk associated with unsatisfactory regulatory inspections.	• Response to audit quality observations raised by the FRC's Audit Quality Review team or the PCAOB, including a root cause investigation of each finding, along with improvements to internal quality review procedures. • Audit Professional Standards Review. • Mitigations below (as applied to non-audit service quality) apply equally to audit quality.
Systematic or major failure of non-audit client service quality or breach of regulatory requirements: inability to prevent significant and/or multiple failures in delivery of non-audit quality, including failures brought about by unsuccessful deployment and implementation of technology or methodology; and the failure to continue to enhance non-audit quality. Deloitte and/or its people fail to comply with regulatory, legal, ethical or professional requirements on a systemic basis.	• Deloitte-wide Quality & Risk community led and staffed by dedicated experts. Established quality policies, processes and procedures on specific regulatory, legal, ethical and professional requirements. • Deloitte Code, incorporating ethical principles and DTTL shared values, complemented by an enhanced ethics programme including whistle-blowing and ethics speak-up line processes and reporting channels. • Training programmes that are a combination of core, compulsory training and tailored elements. • Practice and portfolio reviews of engagements and clients. • Deloitte and personal independence systems. • Enhanced client and engagement take on system (including a link to public interest considerations). • Annual self-certification of compliance by all members and staff.
Failure to manage audit transformation and secure an optimal client and industry portfolio: failure to manage audit transformation by achieving our FTSE audit capture targets and transition of audit relationships so securing a distinctive client portfolio that is relevantly proportioned between audit and advisory and by industry that maximises the benefits of the multi-disciplinary model.	• A Client Portfolio Management programme, including structured client conversations. • Annual portfolio risk review. • Audit Capture Steering Group and programme including identification and monitoring of audit targets, ongoing client conversations and the development and execution of relationship plans. • Target identification and monitoring.

Risk	Mitigation
Failure to engage effectively with regulatory stakeholders: failure to respond to a change in the regulatory landscape which would negatively impact Deloitte's business model.	• Public Policy oversight of Deloitte's engagements with regulatory bodies and other relevant stakeholders. • An engaged group to monitor and respond to consultations on regulatory changes. • A stakeholder engagement programme. • Regular participation in, and contribution to, industry forums. • Proactive and constructive discussions and liaison with government and regulatory bodies.
Failure to have regard of the public interest: failure to have regard to the public interest and to support the capital markets.	• Inclusion on the Board of three Independent Non-Executives (INEs). • A 'Tuesday Group' committee of senior partners meet every Tuesday to review potentially contentious public interest matters. • The Tax Review Panel, which considers the public interest and reputational issues associated with complex tax engagements. • A Public Interest Oversight Committee to enhance the public interest aspects of Deloitte's decision-making. • Regular dialogue with investors, regulators, government representatives, audit committees, boards and corporate management. • Stakeholder engagement programme to build insights to engage with key stakeholders, internally and externally. • Clear linkage between Deloitte's public policy position and ethical code and behaviours. • Updated practice guidance addressing conflicts of interest, independence and objectivity, and acting in the public interest.
Failure to manage data security: loss, unauthorised access to or inappropriate use of client or Deloitte data.	• Deloitte Business Security Group and defined data security responsibilities. • Defined security strategy including information security policies, processes, guidelines and member firm collaboration. • IT technical solutions including, but not limited to, encryption, event monitoring and incident management. • Best practice logical and systems management controls. • Physical security controls covering premises access. • Personnel security and vetting controls. • Security training and awareness programme. • ISO 27001 certification and audit.
Failure to deliver the talent strategy for our people and partners: failure to align the talent strategy with the changing shape of its business; Deloitte failure to recruit, develop and progress a diverse and mobile workforce.	• Robust HR policies including Equal Opportunities, Respect, Inclusion and Diversity. • A range of leadership-supported initiatives, including 'Mobility and Wellbeing', 'Agile Working' and 'Women in Leadership' programmes, to attract, recruit, develop and retain the best talent. • Established performance management and career planning processes. • Tailored training and development programmes, including professional education programmes. • Rigorous performance management and reward processes that recognises quality, ethics and performance. • A diversity agenda to sustain diversity of thinking across Deloitte and to enhance its talent brand.

Risk	Mitigation
Failure to ensure the IT infrastructure supports the current and future business models: failure to ensure the infrastructure supports Deloitte's ability to efficiently and effectively and securely deliver services under current and future business models and to maintain and develop its IT infrastructure to respond to developments in technology.	• IT strategy objectives and assessment of future technology requirements. • IT framework in line with Control Objectives for Information and Related Technology (COBIT) standards. • An IT Risk Committee comprising key stakeholders from IT, Quality & Risk and Deloitte Business Security which considers IT infrastructure matters. • Monitored SLAs for third party IT providers.
Failure by DTTL to satisfactorily discharge its responsibilities: the risk that DTTL fails to satisfactorily discharge its responsibilities with respect to the delivery of the 2020 strategy, provision of centralised services, oversight of member firms, or the maintenance of the integrity of the network through the failure or actions of another member firm, leading to an adverse impact on Deloitte in the UK.	• Strong UK representation and participation in DTTL leadership and governance bodies including on the DTTL Risk Directorate. • A Deloitte Policies Manual (DPM) forming the basis for member firms to establish consistent and rigorous quality and risk management processes. • DTTL proactive development, enhancement and monitoring of compliance with the DPM. • DTTL and member firm standards and risk frameworks. • DTTL Global member firm risk visits. • Secondment of UK members to key global leadership roles.

Statement of members' responsibilities in respect of the financial statements

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 regulations) require the members to prepare financial statements for each financial year. Under those 2008 regulations the members have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law. The limited liability partnership financial statements have been prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Under regulation 8 of the 2008 regulations the members 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 Group and partnership and of the profit of the Group for that period.

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

select suitable accounting policies and then apply them consistently;

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and partnership will continue in business.

Under regulation 6 of the 2008 regulations the members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and partnership's transactions and disclose with reasonable accuracy at any time the financial position and enable them to ensure that the financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and partnership and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on Deloitte's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

These responsibilities were exercised by the Board on behalf of the members.

Auditor

During the year Deloitte conducted a tender of the Statutory Auditor contract. Following a tender process, the Board made the decision to recommend BDO LLP as Deloitte's new Statutory Auditor. A resolution to appoint BDO LLP was passed on 5 December 2014.

Approved by the Board and signed on behalf of the Board

David Sproul
Senior Partner and Chief Executive
28 July 2015

Stephen Griggs
Member of Executive Group
28 July 2015

Report of the Independent Auditor to the Members of Deloitte LLP

Opinion on the consolidated financial statements of Deloitte LLP for the year ended 31 May 2015

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 May 2015 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

An overview of the scope of our audit

Our audit scope has been to audit the group headed by Deloitte LLP. Our approach has been to obtain an understanding of the group's systems and controls, to carry out a risk assessment to identify areas of the financial statements where there is a risk of material misstatement and to carry our audit procedures designed to address these risks. In particular we considered the design and implementation of key controls over revenue, purchases, payroll and the financial close process. Where possible we have performed tests of the operating effectiveness of key controls.

In order to gain appropriate audit coverage of the areas where we identified a risk of material misstatement and of each individually significant reporting component, audits were conducted primarily in the UK (for three reporting components). Full scope audits for Group reporting purposes were conducted in Moscow (relating to the business conducted by the Deloitte CIS Holdings Limited group, and Dubai (relating to Deloitte Corporate Finance Limited) by BDO network firm members and other component auditors acting in accordance with instructions issued by the group engagement team.

Our assessment of and response to risks

In arriving at our opinions set out in this report, the risks that had the greatest effect on our audit and the key procedures we applied to address them are set out below.

Description of the risk of material misstatement	Audit response to identified risk
Revenue recognition and the valuation of unbilled revenue Through five principal operating segments the group recognises revenue as the fair value of consideration received or to be received in respect of the provision of professional services. A significant risk of material misstatement was identified in the valuation of unbilled revenue, and the existence, accuracy and valuation of revenue during the year, with specific reference to the timing of the recognition of revenue for certain non-audit services provided under contingent fee arrangements. The Group's accounting policy in respect of revenue recognition and the valuation of unbilled revenue is outlined in Notes 1 and 2. Further analysis is provided in Note 3.	Our work included reviewing the Group's revenue recognition policy, including the valuation and timing of revenue as outlined in Notes 1 and 2 against the requirements of IAS 18 'Revenue', testing of the operating effectiveness of key controls over the revenue recognition cycle. Using data extracted from the firm's accounting system we verified the completeness and accuracy of key management reports in respect of unbilled revenue, giving consideration to the data feeds into these key reports. Our testing included challenging the estimates and judgements made both by management and individual engagement partners in determining the valuation of unbilled revenue, and the point of recognition of contingent fee revenue. As part of this assessment we have given consideration to management's ability to override controls and exercise bias in this key judgement area.

Description of the risk of material misstatement	Audit response to identified risk
The valuation of defined benefit pension scheme and partner annuity provisions The Group has significant provisions for post-employment benefits for current and former staff members, in the form of defined benefit pension schemes. The measurement of these liabilities in accordance with IAS 19 Revised 'Employee benefits' involves significant judgement and is subject to complex actuarial assumptions. In addition the Group has significant provisions for annuities for current and former members of Deloitte LLP. The annuities are valued in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and also involve significant judgement and complex actuarial assumptions. The provisions accounted for are highly sensitive to variations in certain of the related actuarial assumptions, in particular those relating to the discount rate and mortality, and as such we have considered their valuation to be a significant risk of material misstatement. The Group's accounting policies in respect of the provisions are outlined in Notes 1 & 2. Further analysis is provided in Notes 15 and 24.	Our work included reviewing the appropriateness of the valuation methods applied in the valuation models and the reasonableness of the actuarial assumptions applied in light of the sensitivity of the provisions to the assumptions highlighted above. We involved actuarial specialists to challenge management's actuarial assumptions and considered the ability of management to exercise bias in this key judgement area. We also reviewed the appropriateness of the Group's accounting policies with regards to the provisions against the requirements of IAS 19 and IAS 37.
Completeness and valuation of provisions for professional liability and regulatory claims against the firm The Group maintains insurance cover in respect of professional and regulatory claims which is principally written through mutual insurance companies. Provision is made for any uninsured costs to the Group for settling negligence claims in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. This can be highly judgemental. A claim with a value exceeding the Group's insurance cover or a significant claim which is not covered by the Group's insurance could result in a significant liability for the Group and might impact on the Group's ability to continue operating as a going concern. We therefore identified the completeness and valuation of the provision for professional liability and regulatory claims against the firm as a significant risk of material misstatement. The group's accounting policy in respect of provisions, which includes professional and regulatory claims, is outlined in Note 1. Further analysis is provided in Note 15.	Our work included gaining an understanding of the professional claim notification, identification and practice protection processes and controls in place used to identify claims and potential claims and for which management assess the accounting treatment in accordance with IAS 37. We considered the professional liability and regulatory matters in progress, the completeness of the items identified through third party confirmation, and challenged management's judgement of the accounting treatment for a sample of items. This included challenging the underlying assumptions in the valuation of a sample of those matters that were recognised as a provision in the financial statements. We also confirmed the existence of insurance cover that the Group maintains, and considered the financial strength of insurance providers to assess their ability to honour the levels of cover provided.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in both planning the scope of our audit and in evaluating the results of our work.

Materiality for the Group financial statements as a whole was set at £30 million. This has been calculated with reference to a benchmark of reported profit before taxation which we consider to be one of the principal indicators of the Group in assessing its financial performance.

We agreed with the Audit & Risk Committee to report to it the following misstatements that we identified through our audit:

(i) all material corrected misstatements;

(ii) uncorrected misstatements with a value in excess of £300,000; and

(iii) other misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Matters on which we are required to report by exception

Under the Companies Act 2006, as applied to limited liability partnerships, we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

Scope of report and responsibilities

We have audited the consolidated financial statements of Deloitte LLP for the year ended 31 May 2015 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

This report is made solely to the limited liability partnership's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

As explained more fully in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors. A description of the scope of an audit of financial statements is provided on the FRC's website at **www.frc.org.uk/auditscopeukprivate**.

We have reported separately on the financial statements of the parent entity Deloitte LLP.

BDO LLP

Nicholas Carter-Pegg (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 July 2015

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

Consolidated Income Statement
Year ended 31 May 2015

	Notes	2015 £m	*2014 £m
Revenue	3	2,827	2,676
Expenses and disbursements on client assignments	3	(460)	(423)
Net revenue		2,367	2,253
Operating expenses			
Staff costs	4	(1,233)	(1,160)
Depreciation and amortisation	5	(61)	(52)
Other operating expenses		(376)	(428)
Share of results of joint venture	17	–	11
Operating profit		697	624
Other income	19	10	10
Finance cost	6	(87)	(53)
Profit before tax		620	581
Tax expensed in corporate subsidiaries	7	(28)	(13)
Profit for the financial year before provision for annuities and remuneration for current members		592	568
Provision for annuities and remuneration for current members	8	(187)	(88)
Profit for the financial year		**405**	**480**
Attributable to:			
Members as owners of parent entity		409	481
Non-controlling interests	27	(4)	(1)
		405	**480**
Reconciliation with profit distributable to members			
Profit for the financial year based on the firm's equity accounts		641	599
Retired member annuities and other adjustments		(48)	(45)
Profit for the financial year distributable to members		593	554
Profit allocated during the financial year		(25)	(33)
Adjustment for IFRSs not adopted in the firm's equity accounts		(160)	(39)
Loss for Deloitte CIS		(3)	(2)
Profit for the financial year		**405**	**480**

The profit distributable to members is determined in accordance with accounting policies which differ from IFRSs. The principal differences relate to the accounting treatment of annuities and pension schemes.

*Restatement on adoption of IFRS 10 (see note 28).

Consolidated Statement of Comprehensive Income

Year ended 31 May 2015

	Notes	2015 £m	*2014 £m
Profit for the financial year		**405**	**480**
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of defined benefit pension schemes	24	(31)	(2)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge:			
Gain/(loss) arising during the period	25	6	(3)
Exchange differences on translation of foreign operations		1	(2)
Other comprehensive expense for the year, net of tax		**(24)**	**(7)**
Total comprehensive income for the financial year		**381**	**473**
Attributable to:			
Members as owners of parent entity		385	474
Non-controlling interests		(4)	(1)
		381	**473**

There is no tax on any component of other comprehensive (expense)/income.

*Restatement on adoption of IFRS 10 (see note 28).

Consolidated Balance Sheet
As at 31 May 2015

	Notes	2015 £m	*2014 £m	*2013 £m
Assets				
Non-current assets				
Property, plant and equipment	9	192	187	201
Intangible assets	10	35	39	44
Deferred tax asset	16	8	7	2
Interest in joint venture	17	–	–	4
Derivative financial instruments	25	3	–	–
Investments and associates	11	3	2	2
		241	235	253
Current assets				
Client and other receivables	12	902	764	773
Cash and cash equivalents		54	91	25
		956	855	798
Total assets		**1,197**	**1,090**	**1,051**
Liabilities				
Current liabilities				
Trade and other payables	13	379	412	401
Borrowings	14	2	–	123
Provisions	15	35	53	32
Members' capital	18	7	3	7
		423	468	563
Non-current liabilities				
Borrowings	14	147	146	41
Retirement benefit obligation	24	206	195	218
Provisions	15	1,283	1,118	1,051
Members' capital	18	126	126	125
		1,762	1,585	1,435
Equity				
Members' other reserves	18	(977)	(956)	(941)
Non-controlling interests	27	(11)	(7)	(6)
Total liabilities and equity		**1,197**	**1,090**	**1,051**

*Restatement on adoption of IFRS 10 (see note 28).

Consolidated Balance Sheet
As at 31 May 2015

	Notes	2015 £m	*2014 £m	*2013 £m
Members' interests				
The following balances relating to members are included in the consolidated balance sheet:				
Members' capital	18	133	129	132
Amounts due from/to members	18	(54)	50	52
Members' other reserves – current members	18	(977)	(956)	(941)
Members' interests for current members		**(898)**	**(777)**	**(757)**
Provision for annuities dependent upon future generation of profits				
Provision for current member annuities	15	642	526	516
Provision for retired member annuities	15	658	606	535
Total members' interests before annuities payable from future profits		**402**	**355**	**294**

*Restatement on adoption of IFRS 10 (see note 28).

The Group financial statements on pages 13 to 58 of Deloitte LLP, registered number OC303675, were approved by the Board on 28 July 2015.

Signed on behalf of the Board,

David Sproul
Senior Partner and Chief Executive

Stephen Griggs
Member of Executive Group

Consolidated Statement of Changes in Equity
Year ended 31 May 2015

	2015 £m	*2014 £m	*2013 £m
Members' other reserves at the start of the year	(956)	(941)	(857)
Profit for the year attributable to members	409	481	434
Hedging reserve gain/(loss) arising during the year	6	(3)	–
Remeasurement on defined benefit pension schemes	(31)	(2)	37
Translation of foreign operations	1	(2)	–
Adjustment arising from change in non-controlling interest	(4)	(1)	2
Total comprehensive income	381	473	473
Profit allocated to members during the year	(402)	(479)	(532)
Other transactions with members	–	(9)	(25)
Members' other reserves at the end of the year	(977)	(956)	(941)

*Restatement on adoption of IFRS 10 (see note 28).

Consolidated Cash Flow Statement
Year ended 31 May 2015

	2015 £m	*2014 £m
Profit for the financial year	405	480
Adjustments for:		
Tax on profits	28	13
Depreciation and amortisation	61	52
Joint venture profit	–	(11)
Profit on disposal of a business	(10)	(10)
(Profit)/loss on disposal of property, plant and equipment	(1)	2
Finance expense	87	53
Movement in non-controlling interest	(4)	(1)
Remuneration paid to members	25	33
Increase in provisions	107	75
Retirement benefit obligations	(27)	(33)
Operating cash inflows before movements in working capital	**671**	**653**
Increase in receivables	(83)	12
Increase in payables	15	17
Cash generated by operations	603	682
Corporate taxes paid	(27)	(36)
Net cash inflow from operating activities	576	646
Investing activities		
Proceeds on disposal of property, plant and equipment	6	4
Proceeds on disposal of business/joint venture	10	26
Purchase of investments	(1)	–
Purchase of property, plant and equipment	(67)	(37)
Net cash used in investing activities	(52)	(7)
Financing activities		
Payments to and on behalf of members	(528)	(516)
Retirement benefits paid to former members	(33)	(28)
Repayment of capital to former members	(3)	(10)
Members' capital introduced	7	7
Repayment of borrowings	–	(123)
New borrowings raised	3	105
Interest paid	(8)	(6)
Net cash used in financing activities	(562)	(571)
Net (decrease)/increase in cash and cash equivalents	**(38)**	**68**
Increase in borrowings	**(3)**	**18**
Cash and cash equivalents at beginning of year	(55)	(139)
Effect on foreign exchange rate changes	1	(2)
Cash and cash equivalents at end of year	**(95)**	**(55)**
Cash and cash equivalents comprise:		
Cash at bank	54	91
Borrowings	(149)	(146)
	(95)	**(55)**

*Restatement on adoption of IFRS 10 (see note 28).

Notes to the Consolidated Financial Statements
Year ended 31 May 2015

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) that are effective for the year ended 31 May 2015. They have been prepared under the historical cost convention except for the revaluation of certain financial instruments.

In these financial statements the following standards and related amendments to published standards are reflected for the first time:

IFRS 10 'Consolidated Financial Statements', replaces SIC 12 'Consolidation – Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. The definition of control has been broadened, requiring a change in accounting treatment. The implementation of the standard has required Deloitte CIS to be consolidated in to the Group's financial statements. The consolidation of this entity does not have a material impact on the results or net assets of the Group. The impact on Group revenue for the current year is £113m and £126m for the restated comparatives. See note 28 for further details.

IFRS 11 'Joint Arrangements' which supersedes IAS 31 'Interest in Joint Ventures' distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including any share of assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method. There is expected to be no impact on the Group's financial statements arising from this change.

IFRS 12 'Disclosure of Interests in Other Entities' requires enhanced disclosures for entities reporting under IFRS 10 and IFRS 11 replacing those in IAS 28 and IAS 27. Entities are required to disclose information that helps financial statement readers evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries, in associates and joint arrangements and in unconsolidated structured entities.

IAS 27 'Separate Financial Statements' comprises those parts of the existing IAS 27 that dealt with separate financial statements.

IAS 28 'Investments in Associates and Joint Ventures (revised)' covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

Amendments to IAS 32 'Offsetting Financial Assets and Liabilities' are effective for annual periods beginning on or after 1 January 2014. The amendments add guidance on the meaning of 'a legally enforceable right to set off', on simultaneous settlement.

Future developments

Certain new standards, amendments and interpretations of existing standards have been published that, once they have been endorsed by the European Union, will be mandatory for the Group's accounting period beginning on 1 June 2015 or for later periods. The Group has not yet adopted the pronouncements and does not currently believe that the adoption of these standards, amendments or interpretations would have a material effect on the consolidated results or financial position of the Group unless stated otherwise.

The current version of IFRS 9 'Financial Instruments' has an effective date for annual periods beginning on or after 1 January 2018 and has not yet been adopted by the EU. The standard contains new requirements for accounting for financial assets and liabilities replacing the corresponding requirements in IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 15 'Revenue from contracts with customers' has an effective date for annual periods beginning on or after 1 January 2017, subject to EU endorsement. The impact of this standard is currently being discussed.

Consolidation

The consolidated financial statements incorporate the financial statements of Deloitte LLP and entities controlled by Deloitte made up to 31 May each year.

Control is achieved when Deloitte:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

1. Accounting policies (continued)

Deloitte reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When Deloitte has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. Deloitte considers all relevant facts and circumstances in assessing whether or not

Deloitte's voting rights in an investee are sufficient to give it power, including:

- the size of Deloitte's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by Deloitte, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that Deloitte has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when Deloitte obtains control over the subsidiary and ceases when control of the subsidiary is lost. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date control is gained until the date when Deloitte ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to Deloitte and to the non-controlling interests.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 'Financial Instruments: Recognition'.

Going concern

The Board has, at the time of approving the financial statements, a reasonable expectation that Deloitte 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. Further detail is contained on page 4 in the Report to Members.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred, or assumed by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date. Goodwill is recognised where the cost of the business combination exceeds the total of these fair values. Where the excess is positive, goodwill is treated as an intangible asset, subject to an annual impairment review. Where the fair value of the acquiree's identifiable net assets exceeds the fair value of the consideration transferred, the excess is recognised immediately in the income statement as a bargain purchase gain.

Non-controlling interests are recognised as the non-controlling shareholder's proportion of the identifiable assets and liabilities.

Acquisition related costs are recognised in the income statement as incurred.

1. Accounting policies (continued)

Associates

Associates are those entities over which the Group has significant influence, but neither control nor joint control over the financial and operating policies. Associates are accounted for using the equity method and are initially recognised at cost. The financial statements include the Group's share of the total comprehensive income and equity movements of associates, from the date when significant influence commences until the date that significant influence ceases.

Revenue

Revenue represents amounts recoverable from clients for professional services provided during the year including recoverable expenses on client assignments but excluding Value Added Tax.

Services provided to clients, which, at the balance sheet date have not been billed to clients, are recognised as revenue.

Revenue is recognised 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. Revenue is only recognised where the Group 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.

Generally no revenue is recognised on contingent engagements until the contingent event crystallises. Provision is made against unbilled amounts on those engagements where the right to receive payment is contingent on factors outside the control of the Group.

Unbilled revenue is included in client and other receivables. Where individual on-account billings exceed revenue on client assignments, the excess is classified as progress billings for client work within trade and other payables.

Foreign currencies

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

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Pounds Sterling, which is the functional currency of Deloitte and the presentation currency for the consolidated financial statements.

The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising on the retranslation of foreign operations are recognised in other comprehensive income and accumulated in equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

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

Taxation

The taxation payable on profits of the limited liability partnership is the personal liability of the members and is not dealt with in these financial statements.

A retention from profit distributions is made to fund the taxation payments on behalf of members. The tax expense represents the sum of the current and deferred tax relating to the corporate subsidiaries.

The current tax expense is based on taxable profits of these companies. Taxable profit excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Accounting policies (continued)

Deferred tax in the subsidiaries is generally recognised, using the liability method, in respect of temporary differences at the balance sheet date between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases. Deferred tax is measured at the tax rates enacted or substantively enacted at the balance sheet date and which are expected to apply in the periods in which the temporary differences reverse. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment loss. The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over the estimated useful economic lives as follows:

Leasehold improvements:	Period of lease
Fixtures and fittings:	5-10 years
Computer equipment:	3-5 years
Motor vehicles:	4 years

The residual value, if not insignificant, is reassessed annually in addition to useful lives.

Intangible assets

Internally generated intangible assets are recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

The direct cost of staff in the development of computer systems for the Group has been capitalised as an internally generated intangible asset and is being amortised on a straight-line basis over a period of ten years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Purchased intangible assets have been recognised as part of the fair value determination arising from business combinations referred to above. Customer relationships, brands and order books are stated at cost less accumulated amortisation. Purchased intangible assets are being amortised on a straight-line basis over a period of between five and ten years, this being the estimated economic life.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss in respect of goodwill is not reversed. In the case of other assets an impairment loss is reversed where there are changes in the estimated recoverable amount.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs. Financial assets include cash and cash equivalents, client receivables, amounts due from other member firms of the DTTL network, including long-term loans and amounts due from members. All financial assets, with the exception of derivatives, are classified as loans and receivables and have fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Provision for impairment represents an allowance for doubtful debts that is estimated, based upon current observations and historical trends. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents comprise cash in hand, overdrafts, on demand deposits and other short-term highly liquid investments.

1. Accounting policies (continued)

Financial liabilities

The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities include trade payables, amounts due to other member firms of DTTL and member capital. Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs and 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.

Financial guarantees

Financial guarantees are measured initially at their fair values and are subsequently measured at the higher of:

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation, at the balance sheet date, and are discounted to present value where the effect is material. The increase during the period in the discounted amount, arising from the passage of time and the effect of any change in the discount rate, is charged to the income statement as a finance cost.

Retirement benefit obligations

The Group provides retirement benefits through both defined benefit and defined contribution schemes. The defined benefit scheme was closed to future service accrual with effect from 31 January 2013. The net deficit or surplus for the defined benefit schemes is calculated in accordance with IAS 19 'Employee Benefits', based on the present value of the defined benefit obligations at the balance sheet date less the fair value of the scheme's assets. The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Remeasurements are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in other comprehensive income.

The net interest cost in the income statement is calculated by applying a discount rate to the net deferred benefit obligation.

Past service cost is recognised immediately in the income statement. The Group's payments to the defined contribution pension schemes are charged to the income statement as they fall due.

Members' remuneration

Remuneration to certain members which arises from a contractual obligation has been charged to the income statement in the year. These contractual obligations comprise salaries paid in overseas subsidiaries and fixed non-discretionary profit share arrangements.

Members' interests

Members subscribe capital in proportion to their equity interest in Deloitte. Members' capital may only be withdrawn when a member retires from Deloitte. Member capital has been classified as a liability.

Members' non-current liabilities represent provisions for the annuities of current and retired members and members' capital. The provision relates to annuities payable under the member Pension Plan, which commence when the member reaches the age of 60. The annuities are unfunded and are dependent upon the future generation of profits. Drawings by members on account of profits have been classified as amounts due from members within current assets.

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk, specifically cross currency swaps. Further details of derivative financial instruments are disclosed in note 25.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates all derivatives as hedges of highly probable forecast transactions (cash flow hedges).

1. Accounting policies (continued)

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

Embedded derivative

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at Fair Value through Profit or Loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates all derivative hedging instruments as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 25.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Fair value measurement of derivative financial instruments

Derivative financial instruments are stated in the balance sheet at fair value. The Group uses judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on observable market data, such as interest rate yield curves, and currency rates, adjusted for the specific features of the instrument. In determining the fair value at the balance sheet date, the Group uses valuation techniques which are based on the discounted value of the expected future cash flows arising from the derivative instruments.

2. Critical accounting judgements and key sources of estimation

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

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

The Board considers that the following estimates and judgements are likely to have the most significant effects on the amounts recognised in the financial statements:

Revenue recognition

In determining revenue on client assignments the Group makes certain estimates as to the stage of completion of those assignments. The Group 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 carrying value being determined for unbilled revenue for client work.

Retirement benefit obligation

The pension liability in respect of the defined benefit schemes has been independently valued based on information provided by the Group in terms of the pensionable salary and contributions to the schemes. The liabilities disclosed for the defined benefit schemes are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate and mortality. Further details of the estimates and assumptions are set out in note 24. The Group will continue to review these assumptions against the Group's experience and market data and adjustments will be made in future periods where appropriate.

Provision for member annuities

The provision for annuities for both retired and current members has been valued based on information provided by the Group of future levels of pension annuity, current member retirement rates and mortality. This data is based on the current profile of retired and current members. The liabilities disclosed for the member annuities are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate and mortality. Further details of the estimates and assumptions are set out in note 15.

The Group will continue to review these assumptions against the Group's experience and market data, and adjustments will be made in future periods where appropriate.

Consolidation of Group entities

Due to the adoption of IFRS 10 'Consolidated Financial Statements', Deloitte CIS, previously accounted for as an associate under IAS 27, has been consolidated into the Group Financial Statements. IFRS 10 has been applied retrospectively and has resulted in the restatement of the 2014 and 2013 comparatives. Details of the restatement are disclosed in note 28.

3. Operating segments

The Group has five reportable operating segments: Audit & Risk Advisory, Tax, Consulting, Financial Advisory and Switzerland.

The Audit & Risk Advisory segment provides audit, internal audit, regulatory, risk and control and accounting and financial reporting services. The Tax segment provides business tax, employer and personal tax services. The Consulting segment provides strategy, operations, human capital, enterprise application and technology integration services, as well as actuarial and insurance solutions. The Financial Advisory segment provides transaction support, reorganisation services, forensic and dispute services, real estate consultancy and advisory services. The Switzerland segment provides audit & risk advisory, tax, consulting and financial advisory services in Switzerland.

The reportable segments reflect the Group's principal management and internal reporting structures, and are strategic business units which offer different services and operate in different jurisdictions.

The Group evaluates the performance of the segments on the basis of net revenue and profit or loss from operations before unallocated costs, finance income, finance cost and tax expense. Net revenue is revenue less expenses and disbursements incurred on client assignments. Unallocated items include any costs which cannot be allocated to an operating segment on a meaningful basis.

Performance assessment of the segments includes a review of certain assets such as client receivables, net of payments on account and, deferred income and amounts to be billed to clients and prepayments. All other assets, including non-current assets, balances with members, cash, provisions and retirement benefit balances, are controlled centrally and are not allocated across segments. There is no internal reporting of liabilities by operating segment, and thus no segmental disclosures are provided.

Inter-segment revenue is not material as revenue is shared proportionately by those segments delivering services to clients.

The revenue of Deloitte CIS is shown in the operating segment note to ensure completeness of revenue shown in the income statements. Deloitte CIS is not a reportable segment of Deloitte UK.

3. Operating segments (continued)

	Audit & Risk Advisory £m	Tax £m	Consulting £m	Financial Advisory £m	Switzerland £m	*Total 2015 £m
Revenue	708	590	687	462	267	2,714
Deloitte CIS	–	–	–	–	–	113
Total Revenue						2,827
Expenses and disbursements on client engagements	(105)	(110)	(130)	(59)	(50)	(454)
Deloitte CIS	–	–	–	–	–	(6)
Total expenses and disbursements on client assignments						(460)
Net Revenue	603	480	557	403	217	2,260
Deloitte CIS						107
						2,367
Profit per operating segment	168	175	165	139	38	685
Depreciation and amortisation						(61)
Unallocated						73
Other income						10
Finance cost						(87)
Profit before tax						620
Tax						(28)
Profit for the year						592
Operating segment assets	180	213	143	130	68	734
Deloitte CIS						68
Unallocated						395
Total assets						1,197

Included within the Group's UK Audit & Risk Advisory, Tax, Consulting and Financial Advisory Segments is revenue of £87m (2014: £78m) which relates to engagements based in Switzerland.

Segment net revenue and profit without the allocation of central costs, other income, finance income and costs and tax expense, are the measures that are reported to the Senior Partner and Chief Executive for assessment of segment performance and resource allocation. For the purposes of internal reporting liabilities are not allocated to operating segments.

Included in Group revenue is net revenue of approximately £53m (2014: £62m) which arose from supplying professional services, across all four operating segments, to the Group's largest client, which is a non-audit client.

3. Operating segments (continued)

	Audit & Risk Advisory £m	Tax £m	Consulting £m	Financial Advisory £m	Switzerland £m	*Total 2014 £m
Revenue	706	562	622	424	236	2,550
Deloitte CIS	–	–	–	–	–	126
Total Revenue						**2,676**
Expenses and disbursements on client engagements	(125)	(98)	(102)	(50)	(44)	(419)
Deloitte CIS	–	–	–	–	–	(4)
Total expenses and disbursements on client assignments						(423)
Net Revenue	**581**	**464**	**520**	**374**	**192**	**2,131**
Deloitte CIS						122
						2,253
Profit per operating segment	195	181	161	136	36	709
Depreciation and amortisation						(52)
Unallocated						(44)
Other income						10
Share of results of joint venture						11
Finance cost						(53)
Profit before tax						**581**
Tax						(13)
Profit for the year						**568**
Operating segment assets	149	203	130	125	64	671
Deloitte CIS						69
Unallocated						350
Total assets						**1,090**

	2015 £m	*2014 £m
Revenue per income statement	2,827	2,676
Expenses and disbursements on client assignments	(460)	(423)
Net cash inflow from operating activities	**2,367**	**2,253**

*Restatement on adoption of IFRS 10 (see note 28).

3. Operating segments (continued)

The Group's revenue and information about its segment assets (non-current assets excluding financial instruments) by geographical location is detailed below.

Both revenue and non-current assets are based on those arising in legal entities situated in each country.

	Revenue		Net revenue		Non-current assets	
	2015 £m	*2014 £m	2015 £m	*2014 £m	2015 £m	*2014 £m
UK	2,413	2,286	2,009	1,911	208	202
Switzerland	267	236	217	192	18	18
Other Countries	34	28	34	28	1	1
CIS	113	126	107	122	14	14
	2,827	**2,676**	**2,367**	**2,253**	**241**	**235**

To reflect its focus on client relationships, the Group is managed using a matrix structure which incorporates both operating segments and industry.

Group revenue by industry is:

	Revenue		Net revenue	
	2015 £m	*2014 £m	2015 £m	*2014 £m
Financial Services	1,007	936	839	783
Consumer Business	361	341	300	285
Technology, Media and Communications	260	277	217	232
Manufacturing	209	191	174	159
Public Sector	181	179	181	179
Energy and Resources	177	184	148	153
Business and Professional Services	181	131	150	110
Healthcare and Life Science	179	121	149	101
Infrastructure and Capital Programmes	–	106	–	89
Deloitte CIS	113	126	107	122
Other	159	84	102	40
	2,827	**2,676**	**2,367**	**2,253**

*Restatement on adoption of IFRS 10 (see note 28).

4. Staff costs and member remuneration

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

	2015 No.	*2014 No.
Members	721	739
Employees	17,759	16,879
	18,480	**17,618**

The average number of members and employees, on a full time equivalent basis, by segment were as follows:

	2015 No.	*2014 No.
Fee earners:		
Audit & Risk Advisory	4,452	4,255
Tax	2,421	2,462
Consulting	3,144	2,981
Financial Advisory	1,824	1,764
Switzerland	1,142	983
	12,983	**12,445**
Central leadership and support	2,437	2,281
	15,420	**14,726**
Deloitte CIS	3,060	2,892
	18,480	**17,618**

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

	2015 £m	*2014 £m
Salaries	1,015	951
Social security costs	109	104
Pension costs (note 24):		
Defined contribution	92	91
Defined benefit – service costs	17	14
	1,233	**1,160**

Profits are shared amongst the members after the end of the year in accordance with agreed profit sharing arrangements. The average profit per member is calculated by dividing the profit for the financial year distributable to members of £593m (2014: £554m) by the average number of members.

	2015 £'000	2014 £'000
Average profit per member	**822**	**750**

The share of profit that has been allocated since the year end to the Senior Partner and Chief Executive, David Sproul, who was the member with the largest entitlement to profits in 2015, was £2.8m (2014: £2.6m).

*Restatement on adoption of IFRS 10 (see note 28).

5. Operating profit

Operating profit has been arrived at after charging/(crediting):

	2015 £m	*2014 £m
Operating lease rentals land and buildings	72	69
Other	7	6
Depreciation of property, plant and equipment	56	47
Amortisation of intangible assets	5	5
Rental income	(9)	(8)
Net foreign exchange loss	5	6

Audit fees and expenses for the Group accounts for the year ended 31 May 2015 were £0.3m (2014: £0.3m) and fees for other services were £0.1m (2014: £0.1m) which related to the audit of subsidiary financial statements by BDO LLP. Grant Thornton (Cyprus) Limited received £0.2m (2014: £0.2m) for the audit of Deloitte CIS. Non-audit services were provided by BDO LLP in relation to the provision of an Assurance Statement on the Carbon Credit review with fees of £18,000 (2014: £18,000) and other assurance services of nil (2014: £13,000). No auditor and its associates provided any other non-audit services during either year. All 2014 comparatives relate to Grant Thornton UK LLP. In addition, Grant Thornton UK LLP received £31,000 (2014: £27,000) for the audit of the Group pension schemes.

6. Finance cost:

	2015 £m	*2014 £m
Finance cost		
Interest payable on bank loans and overdrafts	4	4
Interest payable on Private Placement notes	4	2
Other interest payable and unwinding of discount on provisions	73	39
Net interest on pension scheme obligations (note 24)	6	8
	87	**53**

*Restatement on adoption of IFRS 10 (see note 28).

7. Tax expensed in corporate subsidiaries

The taxation charge which arises in the corporate entities included within these financial statements comprises:

	2015 £m	*2014 £m
Current tax	26	26
Compensating payments due from members	–	(9)
Deferred tax (note 16)	(1)	(5)
Adjustment in respect of prior periods	(1)	(1)
Foreign tax charge	4	2
Tax expense in corporate subsidiaries	**28**	**13**

In accordance with UK transfer pricing legislation up to 24 October 2013, the UK corporation tax expense in subsidiary undertakings included an additional amount in respect of the taxable profits of those subsidiaries, the cost of which was met by compensating payments made by LLP members direct to the relevant subsidiaries in previous years. Following changes to the transfer pricing legislation, which took effect from 25 October 2013, and consequential changes to the terms of business between the LLP and its subsidiaries, the full UK corporation tax charge is being borne by the relevant subsidiaries and no additional amounts in respect of taxable profits or compensating payments have accrued since that date.

The tax expense at the standard rate can be reconciled to the actual tax expense as follows:

	2015 £m	*2014 £m
Profit on ordinary activities of corporate entities before tax	113	63
UK Corporation Tax @ 20.83%	23	14
Difference between depreciation and capital allowances	1	2
Expenditure not deductible for tax purposes	1	1
Adjustment in respect of prior periods	(1)	(6)
Foreign tax charge	4	2
Tax expense in corporate subsidiaries	**28**	**13**

UK Corporation Tax is calculated at 20.83% (2014: 22.67%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax paid in relation to members is accounted for within members' interests (note 18) and the Group's contribution to the UK Exchequer is detailed on page 4 of the Report to Members.

Factors that may affect future tax charges

The Finance Act 2013 included legislation reducing the main rate of corporation tax to 20% from 1 April 2015.

*Restatement on adoption of IFRS 10 (see note 28).

8. Provision for annuities and remuneration for current members

	2015 £m	*2014 £m
Annuity provision for current members	162	55
Remuneration for current members paid under a contractual arrangement	25	33
	187	**88**

9. Property, plant and equipment

	Leasehold improvements £m	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	*Total £m
Cost					
At 1 June 2013	238	139	67	24	468
Additions	9	24	–	5	38
Disposals	(4)	(13)	(1)	(6)	(24)
At 1 June 2014	243	150	66	23	482
Additions	5	42	11	9	67
Disposals	(3)	(8)	(2)	(11)	(24)
At 31 May 2015	245	184	75	21	525
Depreciation					
At 1 June 2013	113	101	44	9	267
Charge for the year	17	22	5	3	47
Disposal	(3)	(10)	(2)	(4)	(19)
At 1 June 2014	127	113	47	8	295
Charge for the year	19	24	10	3	56
Disposals	(2)	(8)	(2)	(6)	(18)
At 31 May 2015	144	129	55	5	333
Net book amount					
At 31 May 2015	**101**	**55**	**20**	**16**	**192**
At 31 May 2014	**116**	**37**	**19**	**15**	**187**

Capital commitments contracted but not provided for as at 31 May 2015 amounted to £100m (2014: £18m).

Motor vehicles includes assets held by Deloitte CIS under finance lease arrangements with a carrying value of £47,000 (2014: £19,000).

*Restatement on adoption of IFRS 10 (see note 28).

10. Intangible assets

	Goodwill £m	IT Software £m	Customer relationships, order books, brands and contracts £m	*Total £m
Cost				
At 1 June 2013 and at 1 June 2014	28	24	15	67
Additions	1	–	–	1
At 31 May 2015	29	24	15	68
Amortisation				
At 1 June 2013	–	16	7	23
Charge for the year	–	3	2	5
At 1 June 2014	–	19	9	28
Charge for the year	–	3	2	5
At 31 May 2015	–	22	11	33
Net book amount				
At 31 May 2015	29	2	4	35
At 31 May 2014	**28**	**5**	**6**	**39**

Goodwill was generated on the acquisitions of ReportSource (£3m), MC Schweiz (£17m) in the year ended 31 May 2010 and Monitor Company Europe Limited (£8m) in the year ended 31 May 2013. ReportSource and Monitor Company Europe are considered single cash generating units.

Goodwill of £750,000 was recognised in the year in respect of the acquisition of Peter Leach & Partners LLP, see note 20 for details.

From 1 June 2011, the activities of MC Schweiz were merged, under Swiss rules, with the activities of Deloitte Consulting AG and the combined activities are considered a separate, single cash-generating unit. The recoverable amounts of the cash-generating units have been determined using a 'value in use' basis, being the present value of future cash flows based on the performance in the year, financial plans for the next year approved by senior management and projected cash flows the next five years, which are consistent with historical experience for each unit.

The financial plans approved by senior management for the next year forecast growth of 5%. The discount rate applied against the anticipated future cash flows, is based on pre-tax weighted average cost of capital between 8% and 10% which has been assessed based on pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. A reasonable change in the key assumptions does not have a significant impact on the value in use compared to the carrying value. The key assumptions are those regarding the growth and discount rates. No goodwill impairments arises.

The Group has conducted a sensitivity analysis on the impairment test of each cash generating units carrying value. A cut in the growth rate of 17% of Monitor would cause the carrying value of the goodwill to equal its recoverable amount. A cut in the growth rate of 25% of MC Schweiz would cause the carrying value of goodwill to equal its recoverable amount.

*Restatement on adoption of IFRS 10 (see note 28).

11. Investments and associates

	Investments £m
Valuation/Cost	
At 1 June 2014	3
Additions	1
At 31 May 2015	4
Provision	
1 June 2014 and 31 May 2015	1
Carrying amount	
At 31 May 2015	**3**
At 31 May 2014	**2**

Investments of £3m (2014: £2m) represent the investment in the captive insurance company Nautilus Indemnity Holdings Ltd (18.1%) of £1.6m, Deloitte Global Advisory India Private Limited of £155,000 ($250,000) and Mobiento Group AB of £0.6m, both accounted for as an associate, in addition to other investments of £0.6m.

11. Investments and associates (continued)

	Deloitte Global Financial Advisory India Private Limited			Mobiento Group AB		
	2015 £m	2014 £m	2013 £m	2015 £m	2014 £m	2013 £m
Aggregate amounts relating to the associate:						
Non-current assets	–	–	–	–	–	–
Current assets	1	1	–	1	–	–
Non-current liabilities	–	–	–	–	–	–
Current liabilities	(1)	(1)	–	(1)	–	–
Net assets	–	–	–	–	–	–
Group's share of net assets of the associate	–	–	–	–	–	–
Aggregate amounts relating to the associate:						
Revenue	5	5	–	–	–	–
Operating expenses	(5)	(5)	–	–	–	–
Profit/(Loss)	–	–	–	–	–	–
Group's share of the profit/(loss) of the associate	–	–	–	–	–	–

Deloitte Global Financial Advisory India Private Limited
On 4 October 2013 the legal agreements that formally established Deloitte Global Financial Advisory India Private Limited were signed. Deloitte LLP holds 1/3 of the share capital of Deloitte Global Financial Advisory India Private Limited.

The carrying value of the investment in the associate, being Deloitte LLP's interest, which is denominated in US Dollars, in Deloitte Global Financial Advisory India Private Ltd is:

Share capital $750,000 – Deloitte LLP's share $250,000.

There were no capital commitments at 31 May 2015 or 31 May 2014.

Mobiento Group AB
On 14 May 2015, the group acquired 46,679 shares in Mobiento Group AB for a consideration of SEK 7,750,000. This represents a 30.83% holding.

At the 31 May 2015 the carrying value of the investment in the associate, being Deloitte LLP interest was £600,000.

Deloitte LLP's interest represents 30.83% of the share capital at 31 May 2015.

There were no capital commitments at 31 May 2015.

12. Client and other receivables

	2015 £m	*2014 £m	*2013 £m
Client receivables	427	398	422
Amounts due from other member firms of the DTTL network	32	33	29
Trade receivables	459	431	451
Amounts to be billed to clients	323	277	271
Amounts due from members	54	–	–
Other receivables	15	19	18
Prepayments and accrued income	51	37	33
	902	764	773

Client receivables are shown after impairment provisions for bad and doubtful debts of £15m (2014: £14m) movements which are as follows:

	2015 £m	*2014 £m	*2013 £m
As at the start of the year	14	12	10
New and additional provisions	10	9	9
Recoveries	(5)	(4)	(4)
Write-offs	(4)	(3)	(3)
As at the end of the year	15	14	12

The maximum exposure to credit risk for trade receivables is £474m (2014: £445m). The maximum exposure to credit risk for amounts due from members and other receivables is equal to the carrying amount.

Trade receivables are presumed to be impaired at any point where recoverability of the debt is considered doubtful. Reasons for impairment could include the client being unable to pay, or a dispute over services provided or fees incurred. Full provision is made for all debts which are considered to be impaired. Of the £15m (2014: £14m) provision £14m (2014: £12m) relates to receivables which are considered to be individually impaired as they are over nine months past due.

The Group has a policy of providing for all debts to the extent that they are not considered recoverable. The provision is also determined by the reference to past default experience. In determining the recoverability of the client receivable, the Group considers any change in the credit quality of the client receivable.

A detailed review of the creditworthiness of each and every client is completed before an engagement commences and the concentration of credit risk is limited due to the client base being large and unrelated.

Clients are required to settle invoices on invoice presentation or on such other date as is agreed in the engagement terms for that client. Although terms vary, invoices are considered past due after 30 days have elapsed following the invoice date. No collateral is held for client receivables. Amounts due from other member firms of DTTL are generally payable on presentation.

DTTL member firm transactions are non-interest bearing and are not included as past due as they do not have fixed repayment terms, but are immediately repayable on demand. The Group has considered the credit risk in relation to these balances and considers it to be acceptable, given that the working capital of the subsidiaries is considered adequate to meet their financing requirements.

An analysis of the age of trade receivables that are not impaired but are past due at the year end is presented on the following page:

*Restatement on adoption of IFRS 10 (see note 28).

12. Client and other receivables (continued)

	2015 £m	*2014 £m	*2013 £m
1 – 3 months	154	133	136
3 – 6 months	39	29	25
6 – 9 months	2	5	5
At 31 May	195	167	166
Non-impaired trade receivables that are not past due:			
Less than 1 month	264	264	285
	459	**431**	**451**

13. Trade and other payables

	2015 £m	*2014 £m	*2013 £m
Progress billings for client work	38	31	35
Trade payables	31	36	30
Amounts due to other member firms of the DTTL network	23	25	29
Amounts due to members	–	50	52
Corporation tax	12	10	18
Social security and other taxes	70	70	74
Other payables	14	27	13
Accruals and deferred income	191	163	150
	379	**412**	**401**

Included in other payables are obligations under finance leases held by Deloitte CIS of £32,000 (USD: $49,000) (2014: £17,000 (USD: $28,000)).

*Restatement on adoption of IFRS 10 (see note 28).

14. Borrowings

Private Placements Loan Notes

On 23 October 2013, the Group entered into fixed rate loan arrangements as set out below repaying variable rate bank borrowings at the same time.

The Group holds loan notes with coupons and maturities as shown in the following table:

Title	Year Issued	Principal Value	Maturity	Semi Annual Coupon
Series A	2013	US$18m	23 October 2020	3.78%
Series B	2013	US$126m	23 October 2023	4.40%
Series C	2013	£10m	23 October 2023	4.16%

The Group entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are disclosed in note 25.

The facility is repayable over a term of at least 10 years.

Deloitte CIS maintains a Variation and Support Agreement £25m (USD: $38m) (2014: £22m (USD: $38m)) with Deloitte Global Services Holdings Limited (DGHSL). Interest is payable at a rate of one percent per annum above the US 6 month LIBOR rate 3.14% (2014: 3.14%).

The Deloitte CIS bank loans are funded through a back-to-back financing facility. The loans bore interest during the year ended 31 May 2015 at a rate of 2.25% (2014: 2.25%). Interest is paid to Barclays on a quarterly basis.

	2015 £m	*2014 £m	*2013 £m
Unsecured borrowings			
At amortised cost			
Bank overdrafts	–	–	23
Bank loans	13	11	111
Loans from member firms of the DTTL network	11	10	5
Private Placement Notes	100	100	–
Variation and Support Agreement	25	22	25
At fair value			
Foreign exchange contracts – cash flow hedges	–	3	–
	149	**146**	**164**

	2015 £m	*2014 £m	*2013 £m
Amounts due for settlement within 12 months	2	–	123
Amounts due for settlement after 12 months	147	146	41
	149	**146**	**164**

The Group's borrowing facilities are described in note 25.

*Restatement on adoption of IFRS 10 (see note 28).

15. Provisions

	Surplus property £m	Retired member annuities £m	Current member annuities £m	Professional liability claims £m	Regulatory matter £m	*Total £m
At 1 June 2013	23	535	516	9	–	1,083
Additional provision in the year	3	17	6	5	14	45
Transfer	–	45	(45)	–	–	–
Utilisation of provision	(6)	(29)	–	(7)	–	(42)
Released	(3)	–	–	–	–	(3)
Unwinding of discount	1	22	23	–	–	46
Adjustment for change in discount rate	–	16	26	–	–	42
Net movement in provision	(5)	71	10	(2)	14	88
At 31 May 2014 and 1 June 2014	18	606	526	7	14	1,171
Additional provision in the year	2	(35)	49	11	–	27
Transfer	–	46	(46)	–	–	–
Utilisation of provision	(13)	(32)	–	(5)	(3)	(53)
Released	(1)	–	–	(1)	(11)	(13)
Unwinding of discount	–	24	22	–	–	46
Adjustment for change in discount rate	–	49	91	–	–	140
Net movement in provision	(12)	52	116	5	(14)	147
At 31 May 2015	**6**	**658**	**642**	**12**	**–**	**1,318**
2015 Income statement charge	**1**	**38**	**162**	**10**	**(11)**	**200**
2014 Income statement charge	1	55	55	5	14	130

	2015 £m	*2014 £m	*2013 £m
Included in current liabilities	35	53	32
Included in non-current liabilities	1,283	1,118	1,051
	1,318	**1,171**	**1,083**

*Restatement on adoption of IFRS 10 (see note 28).

15. Provisions (continued)

Surplus property

The surplus property provision covers the expected losses on sub-let and vacant properties where expected revenues are less than cost. The provision has been estimated using current costs and has been discounted to present value. Property provisions of £3m (2014: £6m) will be utilised within 12 months and the balance is expected mainly to be utilised within the next five years

Retired and current members annuities

The annuities payable to retired and current members are unfunded and are conditional upon the future generation of profits. Payments made under the member Pension Plan are capped each year at 8% of the applicable Group profit.

The provision for retired and current members annuities is the present value of the future obligation of the Group to provide retirement annuities to members.

The principal actuarial assumptions which have been used in calculating the liabilities, after the application of mortality rates, are as follows:

	2015 %	2014 %	2013 %
Discount rate	3.5	4.1	4.3
Price inflation	3.1	3.3	3.4

The discount rate of 3.5% (2014: 4.1%) is based on the yield on the over 15 years AA-rated Corporate Bond Index.

The assumed discount rate, inflation rate and partner profit share increases, all have significant effect on the provisions. The following table shows the sensitivity of the value of the member annuities to changes in these assumptions.

		Impact on annuity provision	
Assumption	Change in assumption	(Decrease)/increase £m	(Decrease)/increase %
Discount rate	Increase by 0.25%	(61)	(5)
Inflation rate	Increase by 0.25%	60	4
Member profit share increase	Increase by 0.25%	18	3

The mortality assumptions applied are consistent with those used for the employee defined benefit scheme and are set out in note 24. The assumed life expectations on retirement at age 60 are:

	2015 No.	2014 No.	2013 No.
Retiring today:			
Males	28	29	29
Females	30	32	32
Retiring in 20 years:			
Males	30	30	30
Females	32	34	34

Professional liability claims

The provision for professional liability claims represents the Group's estimate of the potential liability arising from claims that have been notified to the Group.

Regulatory matter

The outcome of the Appeal Tribunal of the Financial Reporting Council (FRC) (formerly the Accountancy and Actuarial Discipline Board) investigation into the former general partnership of Deloitte & Touche relating to its conduct as corporate finance advisers to the MG Rover Group was published on 13 April 2015. The fine imposed was significantly reduced from £14m to £3m and was settled on 16 April 2015, as full and final settlement. All costs incurred have been charged to the income statement as incurred.

16. Deferred tax

Deferred taxation provided in the financial statements is set out below:

	2015 £m	*2014 £m	*2013 £m
At 1 June	(7)	(2)	(1)
Credit to income	(1)	(5)	(1)
At 31 May asset	**(8)**	**(7)**	**(2)**

Deferred tax liabilities relate to temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes recognised using the liability method. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Of the deferred tax asset £1.7m ($2.6m) relates to Deloitte CIS Holdings Limited. Losses from preceding periods in the relevant tax jurisdiction to which the deferred tax asset relates have been fully utilised. There is a 10 year statute of limitation on the utilisation of these losses.

*Restatement on adoption of IFRS 10 (see note 28).

17. Joint Venture

On 30 May 2014 the Group disposed of its investment in Ingeus UK Limited.

	2015 £m	2014 £m	2013 £m
Aggregate amounts relating to the joint venture:			
Non-current assets	–	–	15
Current assets	–	–	20
Non-current liabilities	–	–	(4)
Current liabilities	–	–	(23)
Net assests	–	–	8
Group's share of net assets of the joint venture	–	–	**4**
Aggregate amounts relating to the joint venture:			
Revenue	–	170	146
Operating expenses	–	(142)	(136)
Dividend paid	–	(5)	(2)
Profit	–	23	8
Group's share of net assets of the joint venture	–	**11**	**4**

18. Members' interests

Movements in members' capital were as follows:

	2015 £m	2014 £m	2013 £m
At 1 June	129	132	130
Capital introduced by members	7	7	11
Repayments of capital	(3)	(10)	(9)
At 31 May	**133**	**129**	**132**
Due in less than 1 year	7	3	7
Due in more than 1 year	126	126	125
At 31 May	**133**	**129**	**132**

Members' other interests:

	2015 £m	*2014 £m	*2013 £m
Amounts due (from)/to members in less than one year	(54)	50	52
Members' other reserves	(977)	(956)	(941)

The negative members' interests arises as a result of the members' distributable profit being determined by the firm's equity accounts, which are based on different accounting policies to the Group accounts, which are prepared under IFRSs. The most significant difference is the provision of retired member annuities of £658m. The liability is conditional on the future generation of profits and is payable over a number of years with £123m payable between 10 and 15 years and £246m payable after 15 years.

Deloitte's profits are allocated according to members' units. The unit allocation is completed after the year end and, accordingly, there was no automatic allocation of profits among the members at 31 May 2015. As a result, the balance of profit available for division among the members as at 31 May 2015 is included in other reserves.

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

Members' capital of £7m (2014: £3m) has been included as a current liability and £126m (2014: £126m) has been included as a non-current liability. Members' capital in total is £133m (2014: £129m).

Members' capital contributions are determined by the Board of Partners having regard to the working capital requirements of the business. Individual members' capital contributions are set by reference to the profit sharing unit allocation, determined each year.

19. Disposal

On the 5 March 2015 the Group disposed of certain assets in relation to Petroleum Services Group for a consideration of £10m. A profit of £10m has been recognised on the transaction. The business contributed £4m (2014: £5m) to revenue and £0.3m (2014: £0.7m) to profit before tax for the period 1 June 2014 to 5 March 2015, which has been incorporated in the Group's results. As part of the Audit & Risk Advisory operating segment Petroleum Services Group provided information solutions and advisory services to the Oil and Gas industry.

On 30 May 2014 the Group completed the transaction of the disposal of its investment in Ingeus UK Limited. The Group has recognised a profit of £10m on the disposal of its interest.

Non-controlling interests are detailed in note 27.

*Restatement on adoption of IFRS 10 (see note 28).

20. Acquisitions of business

On 5 January 2015 the Group acquired certain client contracts from Peter Leach & Partners LLP for a consideration of £750,000. No material assets were recognised as part of the transaction.

21. Operating lease commitments

There are a number of office facilities under operating leases. The periods of the leases vary and the lease payments are generally subject to periodic reviews. At 31 May 2015, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2015 £m	Other 2015 £m	Land and buildings *2014 £m	Other 2014 £m	Land and buildings *2013 £m	Other 2013 £m
Operating lease payments which fall due:						
Within one year	76	5	76	5	77	5
Within two to five years	307	5	260	5	268	5
In more than five years	602	–	390	–	419	–
	985	10	726	10	764	10

During the year, operating lease rental payments of £72m (2014: £69m) (land and buildings) and £7m (2014: £6m) (other) were charged to income.

22. Operating leases

The Group as lessor

Property rental income earned during the year was £9m (2014: £8m). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2015 £m	*2014 £m	*2013 £m
Within one year	8	9	9
Within two to five years	9	17	21
In more than five years	–	1	1
	17	27	31

23. Contingent liabilities

The Group has no contingent liabilities at 31 May 2015 or 31 May 2014.

*Restatement on adoption of IFRS 10 (see note 28).

24. Retirement benefit schemes

Defined contribution schemes

The Deloitte LLP Group operated the Deloitte Pension Plan (DPP), a defined contribution master trust arrangement where the assets are held separately, providing defined contribution benefits only. The DPP was opened for employees in the UK, Jersey and Guernsey (except those employees who retained the personal pension policy arrangements in the Channel Islands). Employees within Switzerland and Isle of Man are not eligible to join the DPP. For employees within the UK (excluding Switzerland, the Channel Islands and Isle of Man), a salary sacrifice arrangement exists for the DPP, such that employer contributions are increased to include what would otherwise be the employees' contribution and the employer shares part of its National Insurance saving with employees, known as the SMART uplift. This is paid into the DPP in addition to all other employer contributions. Employees are able to opt out of this arrangement.

The Group's Personal Pension Plan used for employees within the Isle of Man and a number of Personal Pension policies for some employees within Jersey and Guernsey, remain open to future contributions on a defined contribution basis only.

The total cost charged as an expense of £92m (2014: £91m) represents employer contributions payable to the DPP, with contributions of £8m, relating to the May payroll deduction, being paid to the DPP on 1 June 2015.

Defined benefits schemes

In the UK, the Group provides retirement benefits on a defined benefits basis through the Final Salary Section (FSS) of the Deloitte UK Pension Scheme ("The Scheme"). The defined benefit sections of the Scheme closed to future accrual for remaining active members on 31 January 2013. Under the Scheme, employees are entitled to retirement benefits of up to two-thirds of their final salary, subject to HMRC limits, on attainment of retirement ages between 60 and 65 and depending upon their pensionable service. No other post-retirement benefits are provided. The FSS is a funded scheme.

In addition, the Group provides a pension arrangement for its employees in Switzerland (Swiss), which is accounted for as a defined benefit scheme in these accounts.

The Scheme's assets are held separately under Trust to meet the long-term pension liabilities for past and present members.

The Scheme's assets are stated at their bid value as at 31 May 2015, which represents fair value. The Scheme's liabilities have been updated by an independent qualified actuary from the most recent triennial actuarial valuation, 30 September 2014, to assess the liabilities as at 31 May 2015.

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. This amount is reflected in the deficit in the balance sheet.

A Recovery Plan was signed and dated on 19 December 2012 setting out the additional contributions to be paid to fund the deficit in the Scheme. These additional contributions will amount to £225m, payable from 1 October 2011 to 30 September 2021 and these additional contributions are being paid by the Principal Employer, Deloitte LLP.

The Trustee of the Scheme is required by law to act in the interest of all of the beneficiaries of the Scheme. The Trustee of the Scheme is responsible for the investment policy with regard to the Scheme's assets.

Pension schemes typically expose the employer to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

The present value of the Scheme's liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on Scheme assets is below this rate, it will create a plan deficit. Currently, the Scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Scheme's liabilities, the Trustee of the Scheme considers it appropriate that a reasonable portion of the Scheme's assets should be invested in equity securities and in real estate to leverage the return generated by the Scheme.

Interest rate risk

A decrease in the bond interest rate will increase the Scheme's liability but this will be partially offset by an increase in the return on the Scheme's debt investments.

Longevity risk

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

24. Retirement benefit schemes (continued)

Due to the material impact of the Swiss scheme for the year we have separated the Swiss scheme from the UK scheme.

	2015		2014		2013	
	UK %	Swiss %	UK %	Swiss %	UK %	Swiss %
Discount rate	3.4	0.6	4.1	2.0	4.3	2.0
Inflation	3.1	1.0	3.3	1.0	3.4	1.0
Future pension increases	3.0	–	3.1	–	3.2	–

Benefits are valued at the date from which they can be taken without actuarial reduction for early payment.

The valuation at 31 May 2015 assumes that mortality will be in line with 100% for males and 75% for females of SAPS light birth tables with CMI 2011 improvements with a long-term rate of improvement of 1% per annum.

The assumed life expectations on retirement at age 65 are:

	2015 No.	2014 No.	2013 No.
Retiring today:			
Males	23	23	23
Females	25	25	25
Retiring in 20 years:			
Males	25	25	25
Females	27	27	26

The 2015 life expectancy rates reflect a scheme specific review of mortality rates undertaken by an independent actuary.

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

	2015			2014			2013		
	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m
Fair value of scheme assets	779	137	916	707	109	816	651	105	756
Present value of scheme obligations	(943)	(179)	(1,122)	(881)	(130)	(1,011)	(847)	(127)	(974)
Deficit in the scheme and liability recognised in the balance sheet	**(164)**	**(42)**	**(206)**	**(174)**	**(21)**	**(195)**	**(196)**	**(22)**	**(218)**

24. Retirement benefit schemes (continued)

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

	2015			2014			2013		
	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m
Operating expenses:									
Current service cost	–	17	17	–	14	14	6	12	18
Curtailment gain	–	–	–	–	–	–	(29)	–	(29)
Finance income and cost:									
Net interest cost	6	–	6	8	–	8	11	1	12
	6	17	23	8	14	22	(12)	13	1

Remeasurements have been reported in the statement of comprehensive income.

The movements in the schemes' assets were as follows:

	2015			2014			2013		
	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m
Fair value of scheme assets at 1 June	707	109	816	651	105	756	520	94	614
Interest	29	2	31	28	2	30	23	2	25
Remeasurement of scheme assets	38	–	38	17	–	17	94	–	94
Contributions from the sponsoring employers	30	15	45	35	11	46	35	9	44
Contributions from employees	–	8	8	–	6	6	–	5	5
Benefits paid	(25)	(2)	(27)	(24)	(11)	(35)	(21)	(8)	(29)
Exchange movement	–	5	5	–	(4)	(4)	–	3	3
Fair value of scheme assets at 31 May	779	137	916	707	109	816	651	105	756

The actual return on schemes' assets was as follows:

	2015			2014			2013		
	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m
Interest income on scheme assets	29	2	31	28	2	30	23	2	25
Remeasurement of scheme assets	38	–	38	17	–	17	94	–	94
	67	2	69	45	2	47	117	2	119

24. Retirement benefit schemes (continued)

The analysis of the schemes' assets at the balance sheet date was as follows:

		2015			2014			2013		
		UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m
Equity instruments	Quoted	303	–	303	383	–	383	391	–	391
Private equity	Quoted	40	–	40	36	–	36	28	–	28
Absolute return funds	Quoted	35	–	35	32	–	32	26	–	26
Corporate bonds	Quoted	139	–	139	127	–	127	109	–	109
Property	Unquoted	76	–	76	70	–	70	53	–	53
Other	Unquoted	186	137	323	59	109	168	44	105	149
		779	**137**	**916**	**707**	**109**	**816**	**651**	**105**	**756**

The changes in defined benefit obligations were as follows:

	2015			2014			2013		
	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m
Present value of defined benefit obligations at 1 June	**881**	**130**	**1,011**	**847**	**127**	**974**	**786**	**125**	**911**
Current service cost	–	17	17	–	14	14	6	12	18
Curtailment gain	–	–	–	–	–	–	(29)	–	(29)
Interest cost	35	2	37	36	2	38	34	3	37
Contributions from employees	–	7	7	–	5	5	–	5	5
Remeasurement of scheme liabilities – financial assumptions	(38)	5	(33)	2	–	16	67	2	69
Remeasurement of scheme liabilities – demographic assumptions	(1)	(2)	(3)	4	–	4	–	(14)	(14)
Remeasurement of scheme liabilities – liability experience	91	14	105	16	(3)	(1)	4	(2)	2
Benefits paid	(25)	(2)	(27)	(24)	(11)	(35)	(21)	(8)	(29)
Exchange movement	–	8	8	–	(4)	(4)	–	4	4
Present value of defined benefit obligation at 31 May	**943**	**179**	**1,122**	**881**	**130**	**1,011**	**847**	**127**	**974**

*Restatement on adoption of IFRS 10 (see note 28).

24. Retirement benefit schemes (continued)

The analysis of the remeasurements recognised in the statement of comprehensive income is as follows:

	2015			2014			2013		
	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m	UK £m	Swiss £m	Total £m
Remeasurement of scheme assets	38	–	38	17	–	17	94	–	94
Remeasurement of scheme liabilities	(52)	(17)	(69)	(22)	3	(19)	(71)	14	(57)
Total remeasurements	(14)	(17)	(31)	(5)	3	(2)	23	14	37
Cumulative amount of remeasurements recognised in the statement of comprehensive income	(225)	(13)	(238)	(211)	4	(207)	(206)	1	(205)

There is no tax impact on the actuarial loss reflected in the statement of comprehensive income.

The amount of contributions paid to the schemes during the current financial year is £26m. The payment contributes towards eliminating the deficit.

The assumed discount rate, inflation rate, salary increases and mortality all have a significant effect on the valuation of the UK Scheme. The following table shows the sensitivity of the value of the UK defined benefit obligations to changes in these assumptions.

		Impact on defined benefit obligation	
Assumption	Change in assumption	(Decrease)/increase £m	(Decrease)/increase %
Discount rate	Increase by 0.25%	(37)	(4)
Inflation rate	Increase by 0.25%	28	3
Mortality	Increase by 1 year	26	3

Future cash funding

The most recent actuarial valuation for the Scheme was as at 30 September 2014, which was concluded under the new Scheme Funding Regulations (Pension Act 2004).

The average duration of the benefit obligation at the end of the reporting period is 17 years (2014: 18 years). This number can be subdivided into the duration related to:

- deferred members: 19 years (2014: 20 years); and
- retired members: 12 years (2014: 13 years).

The Group expects to make a contribution of £28m (2014: £30m) to the Scheme during the next financial year. In addition, a contribution of £15m (CHF 22m) (2014: £13m (CHF 19m)) will be made in respect of the Swiss pension arrangement.

25. Financial instruments

Capital structure

The Group is financed by member capital and private placement loan notes. Details are set out in note 14 and are subject to finance and foreign exchange risk. The Group has a number of hedges in place to mitigate these risks. Details of the hedge are set out below. In addition, the short-term working capital requirements of the Group will be met by the bank facilities. The Group's capital structure and treasury policies are regularly reviewed to ensure that they remain relevant to the business and its plans for growth. The Group aims to minimise the level of short-term borrowing and this is achieved through the active management and targeting of receivables, client receivables and amounts due to be billed to clients.
A number of entities within the Group are regulated by the Financial Conduct Authority and, as such, are subject to certain regulatory capital requirements. These requirements were met throughout the financial year. Deloitte CIS is financed by short term bororowings and a Variation and Support Agreement.

Financial instruments

Financial instruments comprise unquoted investments, loans, short-term borrowings, cash, client and other receivables and trade and other payables, amounts due to and from other member firms of the DTTL network, members' capital and amounts due from members. Financial instruments give rise to liquidity, credit, interest rate and foreign currency risks. Information about these risks and how they are managed is set out on the following pages.

25. Financial instruments (continued)

The carrying amounts of financial instruments are as follows:

	2015 £m	*2014 £m	*2013 £m
Financial assets			
Client receivables	427	398	422
Amounts to be billed to clients	323	277	271
Amounts due from other member firms of the DTTL network	32	33	29
Amounts due from members	54	–	–
Other receivables	15	19	18
Cash and deposits	54	91	25
Unquoted investments	3	2	2
Loans and receivables	908	820	767
Financial liabilities			
Amounts due to other member firms of the DTTL network	23	25	29
Member capital	133	129	132
Bank overdraft	–	–	23
Bank loans	13	11	111
Loans from related parties	11	10	5
Variation Agreement	25	22	25
Amounts due to members	–	50	52
Private Placement Loan Notes	100	100	–
Trade and other payables	71	82	61
Liabilities at amortised cost	376	429	438
Financial assets at Fair Value			
Cash flow hedge	3	–	–
Assets at fair value	3	–	–
Financial liabilities at Fair Value			
Cash flow hedge	–	3	–
Liabilities at fair value	–	3	–
Total net financial instruments	**535**	**388**	**329**

Fair Values

The following table presents an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1-3 based on the degree to which fair value is observable:

Level 1 those fair values derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 those fair values derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 those fair values derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Please see the following page for detail on the maturity of financial liabilities.

*Restatement on adoption of IFRS 10 (see note 28).

25. Financial instruments (continued)

	Carrying amount £m	Within one year £m	2-5 years £m	2015 More than 5 years £m
Non-derivative financial liabilities				
Private Placement Loan Notes	100	–	–	100
Amounts due to other member firms of the DTTL network	23	23	–	–
Members' capital	133	7	126	–
Trade and other payables	71	71	–	–
Bank loans and variation agreement	38	4	10	24
Loans due to other member firms of the DTTL network	11	–	–	11
	376	**105**	**136**	**135**

	Carrying amount £m	Within one year £m	2-5 years £m	*2014 More than 5 years £m
Non-derivative financial liabilities				
Private Placement Loan Notes	100	–	–	100
Amounts due to members	50	50	–	–
Amounts due to other member firms of the DTTL network	25	25	–	–
Members' capital	129	3	126	–
Trade and other payables	82	82	–	–
Bank loans and variation agreement	33	2	9	22
Loans due to other member firms of the DTTL network	10	–	–	10
	429	**162**	**135**	**132**

	Carrying amount £m	Within one year £m	2-5 years £m	*2013 More than 5 years £m
Non-derivative financial liabilities				
Amounts due to members	52	52	–	–
Amounts due to other member firms of the DTTL network	29	29	–	–
Members' capital	132	7	125	–
Trade and other payables	61	61	–	–
Bank overdrafts	23	23	–	–
Bank loans and variation agreement	136	103	10	23
Loans due to other member firms of the DTTL network	5	–	–	5
	438	**275**	**135**	**28**

*Restatement on adoption of IFRS 10 (see note 28).

25. Financial instruments (continued)

Valuation technique

Level 2 fair values are derived from future cash flows, of open forward contracts at 31 May, translated by the difference between contractual rates and observable forward exchange rates. The Group has a team that performs valuations of financial assets required for financial reporting purposes. This team reports to the Managing Partner, Finance.

	2015 Level 2 £m	2015 Total £m	2014 Level 2 £m	2014 Total £m	2013 Level 2 £m	2013 Total £m
Assets						
Foreign exchange contracts – cash flow hedges	3	3	–	–	–	–
Total assets	3	3	–	–	–	–
Liabilities						
Foreign exchange contracts – cash flow hedges	–	–	3	3	–	–
Total liabilities	–	–	3	3	–	–
Net movement in equity	6	6	(3)	(3)	–	–

Liquidity risk

The ultimate responsibility for liquidity risk management lies with the Executive Group, which has developed an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and borrowing facilities and by continually monitoring forecast and actual cash flows.

Liquidity risk arises from the Group's ongoing financial obligations, including settlement of financial liabilities such as trade and other payables. The Group's financing requirements vary during the year, partly as a result of payments to and on behalf of members and, partly, as a result of other major payments such as leasehold improvements.

Cleared funds held at banks are monitored on a daily basis and surplus amounts are placed on short-term deposits or invested on the money market. It is the Group's policy to invest surplus amounts for periods of up to three months. At the year end all surplus funds were held in either 'on demand' accounts or on the money market. Funds in the Group's captive insurance company are placed on deposit for periods of up to three months.

In addition to the Private Placement Loan Notes of £100m, the Group has total borrowing facilities of £400m with leading international banks. These facilities include revolving credit facilities totalling £300m which are due to expire in September 2019, £65m overdraft facilities which are due to expire between September 2015 and December 2015 and a £35m committed facility which is indefinite. At 31 May 2015 the Group had available £400m (2014: £484m) of undrawn committed and uncommitted borrowing facilities in respect of which all conditions precedent has been met. These facilities are considered more than adequate to finance variations in working capital.

In addition to the £25m ($38m) (2014: £22m ($38m)) Variation and Support Agreement with Deloitte Global Service Holdings Limited, Deloitte CIS had total borrowing facilities of £25.9m ($40m) (2014: £nil). These facilities include a £9.7m ($15m) committed facility due to expire on 30 September 2016. As at 31 May 2015 this facility had £7.5m ($11.5m) available. Also included was a £16.2m ($25m) uncommitted facility due to expire on 30 September 2017. As at 31 May 2015, the facility had £16.2m ($25m) available.

Trade payables of £31m (2014: £36m) mature within one year. Member capital of £133m (2014: £129m) is repayable when the member retires. Under the Partnership Agreement members must give no less than six months' notice ending on 31 May if they wish to retire, unless the member has reached the retirement age of sixty years where no notice period is required. The notice period can be shortened by mutual agreement. This element of members' capital, £7m (2014: £3m), will be repaid within 12 months and has been disclosed as a current liability. The earliest date for repayment of all other member capital £126m (2014: £126m) is 7 June 2016 and, therefore, this has been disclosed as a non-current liability. The amount of undiscounted cash outflows for financial liabilities excluding the private placement loan notes is equal to their carrying amount as both trade payables and member capital are non-interest bearing.

25. Financial instruments (continued)

Credit risk

Credit risk primarily refers to the risk that a client will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy clients. Credit risk also arises from amounts to be billed to clients, amounts due from other member firms of DTTL, loans, cash and cash equivalents and guarantees.

Client receivables consist of a large number of clients, spread across diverse industries and geographical areas and covering a wide range in terms of credit quality. Ongoing credit evaluation is performed on the financial condition of client receivables and the Group does not have any significant credit risk exposure to any single client or any group of clients having similar characteristics. Unbilled receivables are typically billed to clients within a month of arising and invoices are generally payable within 30 days or as per the agreed engagement terms. The review of the ageing of receivables of £459m (2014: £431m) has been considered in note 12.

All work carried out on behalf of other member firms of DTTL is subject to a DTTL member firm agreement, which specifies the exact terms and conditions of each engagement. Invoices are generally payable upon presentation. The credit risk arising from amounts owed by DTTL member firms is deemed to be low and is, therefore, accepted by the Group. None of the amount receivable from DTTL member firms is considered to be impaired.

The credit risk on liquid funds is limited, because the leading banks used are those with high credit ratings (long-term A as a minimum) assigned by international credit rating agencies and cash deposits are placed only with the Group's relationship banks.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk. This amount is:

	2015 £m	*2014 £m	*2013 £m
Financial assets	908	820	767
Total credit risk	908	820	767

Interest rate risk

Interest rate risk arises from cash and cash equivalents and interest-bearing investments and loans. Interest on cash and cash deposits of £54m (2014: £91m) is earned at a variable rate linked to LIBOR. Interest on short-term borrowings is paid at a variable rate linked to LIBOR. Investments include unquoted investments which are not interest-bearing. It is recognised that interest rates are liable to fluctuate and the Group accepts this risk and does not consider it to be material to the Group.

Foreign exchange risk – Cross-currency swap contracts

	2015 £m	2014 £m
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Cross currency swaps	3	(3)
Financial assets carried at fair value through profit or loss (FVTPL):		
Held for trading derivatives that are not designated in hedge accounting relationships:		
Cross currency swaps	–	–
	3	(3)

*Restatement on adoption of IFRS 10 (see note 28).

25. Financial instruments (continued)

Foreign exchange risk – Cross currency swap contracts (continued)

Deloitte LLP is a GBP functional entity. Debt raised in a foreign currency gives rise to foreign exchange risk. Its risk management objective is to hedge foreign exchange risk in order to limit the cash flow variability in Deloitte due to changes in foreign exchange rates, and to apply hedge accounting where possible.

Under cross currency swap contracts, Deloitte agrees to exchange the difference between fixed rate interest amounts calculated on agreed notional principal amounts in USD, the currency of USD denominated private placement borrowings, and GBP, the Deloitte's functional currency. Such contracts enable Deloitte to mitigate the risk of the variability in forecast interest and principal payments on USD denominated borrowings due to changes in the forward GBP/USD exchange rate. The fair value of the cross currency swaps at the reporting date is determined by discounting the future cash flows using the yield curves in each currency as at the reporting date, as well as the credit risk inherent in the individual contracts, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

	Average contract fixed interest rate		Notional principal value		Fair value	
Outstanding receive fixed USD pay fixed GBP swap contracts	**2015 %**	**2014 %**	**2015 %**	**2014 %**	**2015 %**	**2014 %**
Less than 1 year	–	–	–	–	–	–
1 to 2 years	–		–	–	–	–
2 to 5 years	–	–	–	–	–	–
More than 5 years	4.1	4.1	90	90	3	(3)
			90	**90**	**3**	**(3)**

Individual cross currency swap rates, notional principal value and fair value:

	Average contract fixed interest rate		Notional principal value		Fair value	
Outstanding receive fixed USD pay fixed GBP swap contracts	**2015 %**	**2014 %**	**2015 %**	**2014 %**	**2015 %**	**2014 %**
More than 5 years:						
US $96m	4.2	4.2	60	60	2	(2)
US $30m	4.2	4.2	19	19	1	–
US $18m	3.7	3.7	11	11	–	(1)
			90	**90**	**3**	**(3)**

Deloitte makes and receives a physical exchange of cash flows on each cross-currency swap on the settlement dates according to the contractual provisions of each contract. Of the cross currency swaps, $18m will mature 10 October 2020 and $126m will mature 10 October 2023.

Foreign currency risk

The Group is exposed to exchange rate fluctuations since it undertakes certain transactions denominated in foreign currencies. The Group's income and expenditure is primarily in Pounds Sterling. However, some fees and costs are denominated in foreign currencies, as are the transactions of the Swiss subsidiaries, Deloitte CIS and transactions with DTTL member firms.

The Group is mainly exposed to Euro, US Dollar and Swiss Franc foreign currency risk. The Group has managed its US Dollar receipt of $144m, relating to the Private Placement Loan Notes, through a cross currency swap. The terms are identical to the loan notes received. Balances in foreign currency bank accounts are held to facilitate cash management and, on occasion, to provide an economic hedge of future foreign currency expenditure. In addition to this, Deloitte CIS is exposed to Rouble, Euro, Kazakhstan Tenge and Ukrainian Hryvnia foreign currency risk. The Group has no other significant assets or liabilities denominated in currencies other than Pounds Sterling. It is recognised that exchange rates are liable to fluctuate and the Group accepts this risk and does not consider it to be material to the Group.

25. Financial instruments (continued)

The following table is a summary of the Group's net foreign currency-denominated monetary assets:

	2015 £m	*2014 £m	*2013 £m
Euro	9	14	8
US Dollar	43	42	18
Swiss Franc	11	6	3
Russian Rouble	3	4	5
Kazakhstani Tenge	1	1	2
Ukrainian Hryvnia	1	1	1
	68	**68**	**37**

All monetary financial assets and liabilities are receivable or payable within one year.

Foreign currency sensitivity analysis

The following tables detail the Group's sensitivity to a 10% increase and decrease in the Pounds Sterling amount against the relevant currencies. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts the translation at the year end for a 10% change in exchange rates. A positive number below indicates an increase in profit where Pounds Sterling strengthens 10% against the relevant currency. For a 10% weakening of Pounds Sterling against the relevant currency, there would be an equal and opposite impact on profit.

	2015 £m	*2014 £m	*2013 £m
Euro Currency Impact	1	1	1
US Dollar Currency Impact	4	4	2
Swiss Franc Currency Impact	1	1	–
Russian Rouble Currency Impact	–	–	–
	6	**6**	**3**

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management and represents management's assessment of the potential changes in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 May 2015 would decrease/increase by a negligible amount (2014: negligible amount).

Fair value

The estimated fair values of all financial instruments of the Group are approximate to their book values as at 31 May 2015 and 31 May 2014 largely owing to their short-term maturity. All monetary financial assets and liabilities other than Private Placement Loan Notes and Variation Agreements, are receivable and repayable on demand or within one year

Derivative Financial Instruments

Cash flow hedges

The cash flow hedges were assessed to be highly effective at 31 May 2015 and a net unrealised gain of £3m (2014 loss: £3m) has been recorded in other comprehensive income.

At 31 May 2015, the Group had cross-currency swaps in place whereby it received a fixed interest rate of 3.78% and 4.4% on a notional amount of US$144m (2014: US$ 144m) and paid a spread of between 3.69% and 4.23% on a notional sterling balance of £90m.

The swaps with maturities beyond the life of the current revolving credit facilities (2018) are in place to hedge against the core level of debt the Group will hold.

There were open forward foreign exchange contracts at 31 May 2015 to buy US$10m in exchange for Pound Sterling (2014: £nil) and to buy CHF15m in exchange for Pounds Sterling (2014: £nil). The fair value of these contracts at 31 May was a loss of £160,749 (2014: £nil).

*Restatement on adoption of IFRS 10 (see note 28).

26. Related party transactions

Transactions with subsidiaries, which are related parties, have been eliminated on consolidation. These transactions include management charges from Deloitte and charges for the costs of shared services. All balances with subsidiary undertakings are non-interest-bearing.

In addition to transactions entered into between the parent LLP and the subsidiaries, excluding Deloitte CIS, Deloitte also manages the treasury functions of the Group. As a result, cash is periodically transferred from the subsidiaries to the parent.

Members of the Executive Group are recognised as the Group's key management personnel and their remuneration is regarded as a related party transaction. The share of profit allocated to the members of the Executive Group during the year amounted to £20m (2014: £24m).

The Group has entered into an arrangement with the Scheme Trustee to address the current Scheme deficit. Full details of this arrangement are set out in note 24.

Transactions with Deloitte Global Advisory India Private Limited include services provided by Deloitte Global Advisory India Private Limited to Deloitte LLP of £1.7m (2014: £2m), of which £1.1m (2014: £72,000) is owed at the year end.

27. Subsidiary undertakings and associates

The financial statements consolidate the results and financial position of the Group, including principal subsidiary undertaking listed below:

Principal subsidiary undertakings	Holding	Proportion of voting rights and shares held	Country of incorporation/ registration	Nature of business
Deloitte MCS Limited	Ordinary	100%	England and Wales	Consulting services
Deloitte PCS Limited	Ordinary	100%	England and Wales	Personal financial services
Deloitte Total Reward and Benefits Limited	Ordinary	100%	England and Wales	Investment advisory services
Deloitte Pensions Services Limited	Ordinary	100%	England and Wales	Professional services
Deloitte Limited	Ordinary	100%	England and Wales	Service company and employment of staff
Deloitte & Touche Management AG	Ordinary	100%	Switzerland	Management company
Deloitte AG	Ordinary	100%	Switzerland	Professional services
Deloitte Consulting AG	Ordinary	100%	Switzerland	Consulting services
Deloitte Innovation Investments Limited	Ordinary	100%	England and Wales	Holding Company
Monitor Company Europe	Ordinary	100%	England and Wales	Consulting services
Monitor Company GmbH	Ordinary	100%	Switzerland	Consulting services
Deloitte Corporate Finance Limited	Ordinary	50%	United Arab Emirates	Financial advisory services

Name of subsidiary	Place of incorporation and principal place of business	Profit/(loss) allocated to non-controlling interests		Proportion of ownership interests and voting rights held by non-controlling interests		Accumulated non-controlling interest	
		2015 £m	2014 £m	2015 %	2014 %	2015 £m	2014 £m
Deloitte CIS Limited (ii)	England and Wales	(2)	–	40	40	(10)	(8)
Deloitte CIS Holdings Limited (iii)	Guernsey	(2)	(1)	40	40	(1)	1
Total		**(4)**	**(1)**			**(11)**	**(7)**

27. Subsidiary undertakings and associates (continued)

Associate	Holding	Proportion of voting rights and shares held	Country of incorporation/ registration	Nature of business
Deloitte Global Advisory India Private Limited	Ordinary	33.3%	India	Professional Services
Mobiento Group AB	Ordinary	30.83%	Sweden	IT Services

Details of the above associates can be found in note 11.

Other Group entities

The Group has an interest in a partnership, Deloitte Scotland Limited Partnership, which is fully consolidated into these Group accounts. The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these accounts. Separate accounts for the partnership are not required to be, and have not been, filed at Companies House.

28. Change of accounting policy

The implementation of IFRS 10 'Consolidated Financial Statements' require Deloitte CIS to be consolidated in the Group financial statements.

Deloitte CIS was previously accounted for as an associate in line with IAS 27. Under IAS 27, control was defined as 'the power to govern the financial and operating policies of an entity so as to obtain benefits'. The previous conclusion under IAS 27 was that, although Deloitte did control Deloitte CIS, it did not control Deloitte CIS to obtain benefit. Under IFRS 10 however, the focus is on the ability of an entity to use its control to affect its returns. Given this change it was concluded that Deloitte CIS should be accounted for as a subsidiary of Deloitte.

The consolidation of this entity does not have a material impact on the results or net assets of the Group. The impact on the Group revenue for the current year is £113m and £126m for the restated comparatives.

	As Previously Reported £m	Impact of adoption of IFRS 10 £m	2014 As Restated £m
Revenue	2,550	126	2,676
Expenses and disbursements	(419)	(4)	(423)
Net Revenue	2,131	122	2,253
Operating Expenses	(1,509)	(120)	(1,629)
Operating Profit	622	2	624
Other Income	10	–	10
Finance costs	(51)	(2)	(53)
Profit before tax	581	–	581
Tax	(11)	(2)	(13)
Profit after tax	**570**	**(2)**	**568**

28. Change of accounting policy (continued)

	As Previously Reported £m	Impact of adoption of IFRS £m	2014 As Restated £m
Property, plant and equipment	178	9	187
Intangible assets	37	2	39
Deferred tax	4	3	7
Investment in associates	2	–	2
Client and other receivables	725	39	764
Cash and cash equivalents	75	16	91
Trade and other payables	(391)	(21)	(412)
Borrowings	(103)	(43)	(146)
Members capital	(129)	–	(129)
Provisions	(1,170)	(1)	(1,171)
Retirement benefit obligations	(195)	–	(195)
Equity	(967)	4	(963)

	As Previously Reported £m	Impact of adoption of IFRS £m	2013 As Restated £m
Property, plant and equipment	190	11	201
Intangible assets	41	3	44
Deferred tax	–	2	2
Investment in associates	2	–	2
Investment in joint venture	4	–	4
Client and other receivables	723	50	773
Cash and cash equivalents	14	11	25
Trade and other payables	(378)	(23)	(401)
Borrowings	(115)	(49)	(164)
Members capital	(132)	–	(132)
Provisions	(1,082)	(1)	(1,083)
Retirement benefit obligations	(218)	–	(218)
Deferred tax liability	(1)	1	–
Equity	(952)	5	(947)

Report of the Independent Auditor to the Members of Deloitte LLP

We have audited the financial statements of Deloitte LLP for the year ended 31 May 2015 which comprise the balance sheet, the statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

This report is made solely to the limited liability partnership's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the limited liability partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partnership and the partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditors
As explained more fully in the statement of members' responsibilities, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 May 2015;
- 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 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act as applied to limited liability partnerships requires us to report to you if, in our opinion:

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

Other matter
We have reported separately on the consolidated financial statements of Deloitte LLP for the year ended 31 May 2015.

BDO LLP

Nicholas Carter-Pegg (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 July 2015

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

Deloitte LLP Parent Entity Balance Sheet
As at 31 May 2015

	Note	2015 £m	2014 £m
Assets			
Fixed assets			
Intangible Assets	3	1	3
Tangible assets	4	96	109
Derivative financial instruments		3	–
Investments	5	47	46
		147	158
Current assets			
Debtors	7	775	625
Cash at bank and in hand		19	57
		794	682
Total assets		**941**	**840**
Liabilities			
Creditors: amounts falling due within one year			
Trade creditors	8	390	396
Members' capital	12	7	3
		397	399
Creditors: amounts falling due after more than one year			
Defined benefit pension plan deficit	11	94	106
Provisions	10	1,316	1,166
Bank loans and overdrafts	9	100	103
Members' capital	12	126	126
		1,636	1,501
Equity			
Members' other reserves	12	(1,092)	(1,060)
Total liabilities		**941**	**840**

	2015 £m	2014 £m
Members' interests		
The following balances relating to members are included in the balance sheet:		
Members' capital	133	129
Amounts due (from)/to members	(64)	40
Members' other reserves – current members	(1,092)	(1,060)
Members' interests for current members	**(1,023)**	**(891)**
Provision for annuities dependent upon future generation of profits		
Provision for current member annuities	642	526
Provision for retired member annuities	658	606
Total members' interests before annuities payable from future profits	**277**	**241**

The financial statements on pages 60 to 73 were approved by the Board on 28 July 2015.

Signed on behalf of the Board,

David Sproul
Senior Partner and Chief Executive

Stephen Griggs
Member of Executive Group

Deloitte LLP Parent Entity Statement of Changes in Equity
Year ended 31 May 2015

	2015 £m	2014 £m
Members' other reserves at the start of the year	**(1,060)**	**(1,116)**
Profit for the year attributable to members	351	381
Changes in minimum funding liability	2	(2)
Cash flow hedge loss arising during the year	6	(3)
Remeasurement on defined benefit pension schemes	(14)	(4)
Total comprehensive income	**345**	**372**
Profit allocated to members during the year	(377)	(307)
Other transactions with members	–	(9)
Members' other reserves at the end of the year	**(1,092)**	**(1,060)**

Notes to the Deloitte LLP Parent Entity Financial Statements
As at 31 May 2015

1. Accounting Policies

The principal accounting policies adopted in the preparation of the parent financial statements together with the critical accounting judgements and key sources of estimation are the same as those set out on pages 19 to 25 of the consolidated financial statements. Any accounting policies in addition to those applied in the preparation of the consolidated financial statements are detailed below. These policies have been consistently applied throughout the year and the preceding year following application of FRS 101. As described in note 18 of the consolidated financial statements only capital relating to partners who have agreed to retire during the following financial year has been classified as a current liability.

Basis of accounting

Deloitte meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council accordingly. The financial statements for Deloitte have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework'. The Company's 2014 financial statements were also prepared under FRS 101.

As permitted by FRS 101, Deloitte has taken advantage of the disclosure exemptions available in relation to financial instruments, presentation of a cash flow statement, standards in issue not yet effective and related party transactions with both Key Management Personnel and eligible group entities and the presentation of comparative information in respect of certain assets.

The financial statements have been prepared under the historical cost convention as amended for the revaluation of derivative financial instruments.

Investments

Fixed asset investments in subsidiaries and investments in joint ventures are shown at cost less provision for impairment.

2. Profit and loss account

No individual profit and loss account is presented for Deloitte as permitted by section 408 of the Companies Act 2006.

The auditor's remuneration for audit services to Deloitte was £0.2m (2014: £0.2m).

3. Intangible assets

	Goodwill £m	IT Software £m	Customer relationships, order books, brands and contracts £m	Total £m
Cost				
At 1 June 2014	–	17	4	21
Additions	1	–	–	1
At 31 May 2015	1	17	4	22
Amortisation				
At 1 June 2014	–	14	4	18
Charge for the year	–	3	–	3
At 31 May 2015	–	17	4	21
Net book amount				
At 31 May 2015	**1**	**–**	**–**	**1**
At 31 May 2014	–	3	–	3

4. Tangible fixed assets

	Leasehold improvements £m	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Cost					
At 1 June 2014	175	63	44	23	305
Additions	2	–	–	9	11
Disposals	(2)	(1)	(1)	(11)	(15)
At 31 May 2015	175	62	43	21	301
Depreciation					
At 1 June 2014	91	62	35	8	196
Charge for the year	13	1	2	4	20
Disposals	(2)	(1)	(1)	(7)	(11)
At 31 May 2015	102	62	36	5	205
Net Book Value					
At 31 May 2015	**73**	**–**	**7**	**16**	**96**
At 31 May 2014	**84**	**1**	**9**	**15**	**109**

Capital commitments contracted but not provided for as at 31 May 2015 amounted to £99m (2014: £17m).

5. Investments

	Investment in Subsidiaries £m	Investment in Associates £m	Total £m
Valuation Cost			
At 1 June 2014	48	3	51
Additions	–	1	1
At 31 May 2015	48	4	52
Provision			
1 June 2014 and 31 May 2015	4	1	5
Carrying Amount			
At 31 May 2015	**44**	**3**	**47**
At 31 May 2014	**44**	**2**	**46**

A list of investments held by Deloitte is set out in note 27 of the consolidated financial statements.

6. Acquisition

On 1 March 2015, the trade and assets of Deloitte PCS Limited were transferred into Deloitte LLP at net book value totalling £12m.

7. Debtors

	2015 £m	2014 £m
Client receivables	243	252
Amounts due from other member firms of the DTTL network	14	14
Trade debtors	257	266
Amounts due from members	64	–
Amounts to be billed to clients	274	205
Amounts owed by Group undertakings	167	152
Other debtors	2	1
Prepayments and accrued income	11	1
	775	**625**

Included within "Amounts owed by Group undertakings" is a subordinated loan of £2m (2014: £2m) due from Deloitte Total Reward and Benefits Limited. Deloitte has subordinated its right of repayment, in favour of any other creditor of Deloitte Total Reward and Benefits Limited. The loan is subject to five years' notice of repayment and bears interest at 1% over Barclays Bank PLC base rate, and loans of £12m (2014: £11m) due from Deloitte CIS Limited. The loan is repayable in more than 5 years and bears interest at 2.5%.

8. Creditors: amounts falling due within one year

	2015 £m	*2014 £m
Progress billings for client work	30	21
Trade creditors	3	3
Amounts due to other member firms of the DTTL network	16	17
Amounts due to members	–	40
Amounts due to Group undertakings	242	224
Other taxation and social security	29	25
Other creditors	15	8
Accruals and deferred income	55	58
	390	**396**

*Restatement due to changes in organisation reporting.

9. Bank loans and overdrafts

Private Placement Loan Notes

Deloitte holds loan notes with coupons and maturities as shown in the following table:

Title	Year Issued	Principal Value	Maturity	Semi Annual Coupon
Series A	2013	US$18m	23 October 2020	3.78%
Series B	2013	US$126m	23 October 2023	4.40%
Series C	2013	£10m	23 October 2023	4.16%

Interest is payable on 23 October and 23 April each year of the term of the loan note. The loan notes rank pari-passu with other creditors and are unsecured.

Deloitte entered into a number of cross-currency swap agreements in relation to the loan notes to eliminate any foreign exchange risk on interest rates or on the repayment of the principal borrowed. These swaps expire in line with the loan notes and are discussed in note 25 of the consolidated financial statements.

	2015 £m	2014 £m
Unsecured borrowings		
At amortised cost		
Private placement notes	100	100
At fair value		
Foreign exchange contracts – cash flow hedges	–	3
	100	**103**
Total borrowings		
Amount due for settled within 12 months	–	–
Amount due for settlement after 5 years	100	103
	100	**103**

At 31 May 2015 Deloitte LLP held £nil (2014: £nil) short-term unsecured bank loans.

10. Provisions

	Surplus property £m	Retired member annuities £m	Current member annuities £m	Professional liability claims £m	Regulatory matter £m	Total £m
At 1 June 2014	13	606	526	7	14	1,166
Additional provision in the year	2	(35)	49	11	–	27
Transfer	–	46	(46)	–	–	–
Utilisation of provision	(10)	(32)	–	(5)	(3)	(50)
Released	(1)	–	–	(1)	(11)	(13)
Unwinding of discount	–	24	22	–	–	46
Adjustment for change in discount rate	–	49	91	–	–	140
Net movement in provision	(9)	52	116	5	(14)	150
At 31 May 2015	**4**	**658**	**642**	**12**	**–**	**1,316**
2015 Profit and Loss	**1**	**38**	**162**	**10**	**(11)**	**200**
2014 Profit and Loss	2	55	55	5	14	131

Further information relating to each class of provision can be found in note 15 of the consolidated financial statements.

11. Retirement benefit schemes

Defined contribution scheme

The Group operated the Deloitte Pension Plan (DPP).

Further details can be found in note 24 of the Group financial statements.

Defined benefit scheme

Details can be found in note 24 of the Group financial statements.

In the UK, the Group provides retirement benefits on a defined benefits basis through the Final Salary Section (FSS) of the Deloitte UK Pension Scheme ("The Scheme"). The defined benefit sections of the Scheme closed to future accrual for remaining active members on 31 January 2013.

Under the scheme, employees are entitled to retirement benefits of up to two-thirds of their final salary, subject to HMRC limits, on attainment of retirement ages between 60 and 65 and depending upon their pensionable service. No other post-retirement benefits are provided. The FSS is a funded scheme.

The Scheme's assets are held separately under Trust to meet the long-term pension liabilities for past and present members.

The Scheme's assets are stated at their bid value as at 31 May 2015, which represents fair value. The Scheme's liabilities have been updated by an independent qualified actuary from the most recent triennial actuarial valuation, 30 September 2014, to assess the liabilities as at 31 May 2015.

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit credit method. This amount is reflected in the deficit in the balance sheet.

A Recovery Plan was signed and dated on 19 December 2012 setting out the additional contributions to be paid to fund the deficit in the Scheme. These additional contributions will amount to £225m, payable from 1 October 2011 to 30 September 2021 and these additional contributions are being paid by the Principal Employer, Deloitte LLP.

The Trustee of the Scheme is required by law to act in the interest of all of the beneficiaries of the Scheme. The Trustee of the Scheme is responsible for the investment policy with regard to the Scheme's assets.

Pension schemes typically expose the entity to actuarial risks such as: investment risk, interest rate risk and longevity risk.

The amount recognised in the profit and loss account in respect of the defined benefit scheme is £nil (2014: £8m).

Investment risk

The present value of the Scheme's liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on Scheme assets is below this rate, it will create a plan deficit. Currently the Scheme has a relatively balanced investment in equity securities, debt instruments and real estate. Due to the long-term nature of the Scheme's liabilities, the Trustee of the Scheme considers it appropriate that a reasonable portion of the Scheme's assets should be invested in equity securities and in real estate to leverage the return generated by the Scheme.

Interest rate risk

A decrease in the bond interest rate will increase the Scheme's liability but this will be partially offset by an increase in the return on the Scheme's debt investments.

Longevity risk

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

11. Retirement benefit schemes (continued)

The principal actuarial assumptions at the balance sheet date are:

	2015 %	2014 %
Discount rate	3.4	4.1
Inflation	3.1	3.3
Future pension increases	3.0	3.1

Benefits are valued at the date from which they can be taken without actuarial reduction for early payment.

The valuation at 31 May 2015 assumes that mortality will be in line 100% for males and 75% for females of SAPS light birth tables with CMI 2011 improvements with a long-term rate of improvement of 1% per annum.

The assumed life expectations on retirement at age 65 are:

	2015 No.	2014 No.
Retiring today:		
Males	23	23
Females	25	25
Retiring in 20 years:		
Males	25	25
Females	27	27

2015 life expectancy rates reflect a scheme specific review of mortality rates undertaken by an independent actuary.

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

	2015 £m	2014 £m
Fair value of Scheme assets	849	777
Present value of Scheme obligations	(943)	(881)
Changes in minimum funding liability	–	(2)
Deficit in the Scheme and liability recognised in the balance sheet	**(94)**	**(106)**

In accordance with the requirement of IFRIC 14 Deloitte has recognised an additional liability of £nil (2014: £2m).

The actual return on Scheme assets was as follows:

	2015 £m	2014 £m
Remeasurement of Scheme assets	38	17
	38	**17**

11. Retirement benefit schemes (continued)

The movements in the Scheme assets were as follows:

	2015 £m	2014 £m
Fair value of Scheme assets at 1 June	**777**	**721**
Remeasurement of Scheme assets	38	17
Contributions from the sponsoring employers	30	35
Benefits paid	(25)	(24)
Interest	29	28
Fair value of Scheme assets at 31 May	**849**	**777**

The expected return on assets is determined using current and projected economic and market factors and after taking independent actuarial advice. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets.

The analysis of the Scheme assets at the balance sheet date was as follows:

		Fair value of assets	
	Investment Basis	2015 £m	2014 £m
Equity instruments	Quoted	303	383
Private equity	Quoted	40	36
Absolute return funds	Quoted	35	32
Corporate bonds	Quoted	139	127
Property	Unquoted	76	70
Other	Unquoted	256	129
		849	**777**

Included in Other is Deloitte investment of £70m (2014: £70m) in Deloitte Scotland Limited Partnership.

The changes in defined benefit obligations were as follows:

	2015 £m	2014 £m
Present value of defined benefit obligations at 1 June	**881**	**847**
Interest cost	35	36
Remeasurement of scheme liabilities – financial assumptions	(38)	2
Remeasurement of scheme liabilities – demographic assumptions	(1)	4
Remeasurement of scheme liabilities – liability experience	91	16
Benefits paid	(25)	(24)
Present value of defined benefit obligations at 31 May	**943**	**881**

11. Retirement benefit schemes (continued)

The assumed discount rate, inflation rate, salary increases and mortality all have a significant effect on the valuation. The following table shows the sensitivity of the value of the defined benefit obligation to changes in these assumptions.

		Impact on defined benefit obligation	
Assumption	Change in assumption	(Decrease)/ increase £m	(Decrease)/ increase %
Discount rate	Increase by 0.25%	(37)	(4)
Inflation rate	Increase by 0.25%	28	3
Mortality	Increase by 1 year	26	3

In 2010, Deloitte made a special contribution of £70m to the Scheme. The Scheme invested £70m in Deloitte Scotland Limited Partnership (SLP). The Scheme will invest in this asset for up to 15 years until 30 September 2025 at which point the Scheme's investment will be valued and redeemed. The redemption value of the investment will be the lower of £74.5 million or the deficit in the Scheme at that time, with a minimum payment of £0.5m. The Scheme will be entitled to an annual income from this investment, based on an annual rate of interest designed to reflect the pre and post-retirement discount rates, used to determine the technical provisions of the Scheme of successive actuarial valuations. In 2015, the Scheme received £3.7m (2014: £4.3m) of income from the investment.

The investment carrying value at 31 May 2015 was £61m (2014: £65.1m).

Under IAS 19, the interest in SLP does not represent a plan asset for group reporting purposes and has therefore not been deducted in arriving at the Scheme deficit presented in these financial statements. Also, distributions from SLP to the Scheme are reflected in these Group accounts on a cash basis as contributions paid.

Future Cash Funding

Details of the future cash funding are disclosed in note 25 of the Group financial statements.

12. Members' interests

Movements in members' capital was as follows:

	2015 £m	2014 £m
At 1 June	**129**	132
Capital introduced by members	**7**	7
Repayments of capital	**(3)**	(10)
At 31 May	**133**	**129**
Due in less than 1 year	**7**	3
Due in more than 1 year	**126**	126
At 31 May 2015	133	129

Members' other Interests

	2015 £m	2014 £m
Amounts due (from)/to members in less than 1 year	(64)	40
Members' other reserves	(1,092)	(1,060)

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

12. Members' interests (continued)

Members' capital of £7m (2014: £3m) has been included as a current liability and £126m (2014: £126m) has been included as a non-current liability. Member capital in total is £133m (2014: £129m).

Members' capital contributions are determined by the Board having regard to the working capital requirements of the business. Individual members' capital contributions are set by reference to the profit sharing unit allocation, determined each year.

13. Operating lease commitments

There are a number of office facilities under operating leases. The periods of the leases vary and the lease payments are generally subject to periodic reviews. At 31 May 2015, Deloitte had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings 2015 £m	Other 2015 £m	Land and buildings 2014 £m	Other 2014 £m
Operating lease payments which fall due:				
Within one year	63	1	48	1
Within two to five years	213	3	164	2
In more than five years	557	–	330	–
	833	**4**	**542**	**3**

During the year, operating lease rental payments of £66m (land and buildings) (2014: £50m) and £6m (other) (2014: £5m) were charged to income.

14. Operating leases

As a lessor

Property rental income earned during the year was £6m (2014: £5m). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the balance sheet date, Deloitte had contracted with tenants for the following future minimum lease payments:

	2015 £m	2014 £m
Within one year	5	6
Within two to five years	4	9
In more than five years	–	–
	9	**15**

15. Related party transactions

The parent has taken advantage of the exemption available under FRS 101 not to disclose related party transactions with fellow eligible group entities.

Deloitte has entered into an arrangement with the Pension Scheme Trustee to address an element of the current scheme deficit. Full details of this arrangement are set out in note 24 of the consolidated financial statements.

Transactions with Deloitte Global Advisory India Private Limited include services provided by Deloitte Global Advisory India Private Limited to Deloitte of £1.7m (2014: £2m), of which £1.1m (2014: £72,000) is owed at the year end.

Transactions with the Deloitte CIS Holdings Limited include services provided by Deloitte and its subsidiaries of £4m (2014: £4m), of which £1m (2014: £1m) is owed by the Deloitte CIS Holdings Limited at the year end. Services of £2m (2014: £5m) were provided to Deloitte LLP and its subsidiaries, of which £1m (2014: £1m) is owed at the year end.

Related party transactions with Subsidiaries

Transactions with Deloitte Corporate Finance Limited include services provided by Deloitte to Deloitte Corporate Finance Limited of £4m (2014: £260,000). At the year end Deloitte Corporate Finance Limited owed Deloitte £3m (2014: £448,000).

During the year Deloitte provided £1.5m (2014: £1.3m) of loans to Deloitte CIS Limited and charged interest of £0.3m (2014: £0.3m). At the year end Deloitte CIS Limited owed Deloitte £13.5m (2014: £11.7m).

Designed and produced by The Creative Studio at Deloitte, London. J1185