

Notes to the Financial Statements

For the year ended 31 May 2023

2. Accounting policies (continued)

2.2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty identified for the Group (continued)

Retirement benefit obligation

The pension liabilities in respect of the UK and Swiss defined benefit schemes have been independently valued using certain assumptions relating to discount rate, inflation and mortality. For the discount rate assumption on the UK scheme, there is a significant risk of a material adjustment to the carrying amount in the next financial year arising from reasonably possible changes to those assumptions. Further details of the estimates and assumptions are set out in Note 19. The Group continues to review these assumptions against experience and market data and adjustments will be made in future periods where appropriate.

Provision for claims and regulatory proceedings

The liabilities disclosed for claims and regulatory proceedings are determined by assessing the probable outcome of claims and regulatory proceedings and estimating the level of costs likely to be incurred in defending and concluding these matters. Further details of the estimate are set out in Note 17.

2.3 Amendments to IFRSs adopted by the Group

New standards that have been adopted in the current year but have not had a significant effect on the Group are:

- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework – effective for periods beginning on or after 1 January 2022;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts – effective for periods beginning on or after 1 January 2022;
- 2018-2020 annual improvements cycle: Amendments to four IFRSs' as a result of the IASB's annual improvements project – effective for periods beginning on or after 1 January 2022;
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use – effective for periods beginning on or after 1 January 2022.

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2. Accounting policies (continued)

2.4 Impact of standards issued but not yet applied by the Group

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17) – effective for periods beginning on or after 1 January 2023;
- Amendments to IAS 1 Presentation of financial statements: Amendments on classification – effective for periods beginning on or after 1 January 2023;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of accounting estimate – effective for periods beginning on or after 1 January 2023;
- Amendments to IAS 1 Presentation of financial statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of accounting policies – effective for periods beginning on or after 1 January 2023;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective for periods beginning on or after 1 January 2023;
- Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments to IAS 21) – effective 1 January 2025;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective date has yet to be set by the Board, however, earlier application of the amendments is permitted.
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) – effective 1 January 2023
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information – effective 1 January 2024
- IFRS S2 Climate-related Disclosures – effective 1 January 2024
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) – effective 1 January 2024
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) – effective 1 January 2024
- Non-current Liabilities with Covenants (Amendments to IAS 1) – effective 1 January 2024
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7) – effective 1 January 2024

The adoption of these amendments is not expected to have a significant impact on either the Group or LLP's financial statements in future periods except as noted below.

IFRS S1—General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures

The Group is in the process of assessing the impact of these new standards.

IFRS 17: Insurance Contracts (effective from 1 June 2023)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. The Group has determined that its retirement annuities payable to former and current members (Note 17) will be in the scope of IFRS 17. It has been determined that it would be impracticable to apply IFRS 17 retrospectively and based on the reasonable and supportable information available at the date of transition, the Group will adopt the fair value transition approach. IFRS 17 applies a different measurement approach to the measurement approach applied currently. The measurement approach principally includes the identification of (a) best estimate of liabilities, (b) explicit risk adjustments and (c) the contractual service margin. The Group's preliminary assessment of these components has indicated that the expected impact of transitioning to IFRS 17 on the carrying value of the liability at the effective date of 1 June 2023 would be a material increase of approximately 17% to 20% on the 31 May 2023 liability of £1,172 million (Note 17).

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3. Revenue

The table below shows the Group's revenue from contracts with customers by business:

£'million	2023	2022
Audit & Assurance	992	826
Consulting	1,952	1,675
Financial Advisory	783	682
Risk Advisory	576	562
Tax & Legal	1,306	1,195
	5,609	4,940

The table below shows the Group's revenue from customers disaggregated by managed territory:

£'million	2023	2022
United Kingdom	4,820	4,283
Switzerland	772	641
Other	17	16
	5,609	4,940

Details of the Group's and LLP's trade receivables and amounts to be billed to customers are disclosed in Note 14 and progress billings in Note 15.

The Group has applied the practical expedient set out in IFRS 15 in respect of the presentation of the transaction price allocated to partially or fully unsatisfied contracts with customers where the contract period is for a year or less or where the right to consideration corresponds directly to the performance completed to date. As at 31 May 2023 and 2022, the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied on fixed price contracts with a duration of greater than one year was not material.

Notes to the Financial Statements

For the year ended 31 May 2023

4. Employee costs

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

£'million	Group 2023	Group 2022	LLP 2023	LLP 2022
Salaries ¹	2,282	1,864	1,203	987
Social security costs	250	205	143	120
Pension costs (Note 19)				
Defined contribution	231	188	147	122
Defined benefit – current and past service cost	26	30	-	-
	2,789	2,287	1,493	1,229

¹ Salaries include salaries, wages, bonuses and employee benefits excluding pension costs.

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

Number	Group 2023	Group 2022	LLP 2023	LLP 2022
Customer facing employees	23,259	19,851	12,952	11,305
Non-customer facing employees	3,244	2,848	2,823	2,419
	26,503	22,699	15,775	13,724

The average number of members of the Group and LLP during the year was 714 (2022: 672).

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For the year ended 31 May 2023

5. Other operating expenses

Other operating expenses incurred comprise:

£'million	2023	2022
Current and former member annuities (Note 17)		
Annuities to current members:		
Current year charge	33	36
Actuarial gains	(151)	(15)
Annuities to former members:		
Actuarial gains	(158)	(67)
Total current and former member annuities	(276)	(46)
Expenses and sub-contractor costs on customer assignments	1,309	1,131
Impairment charges on non-current assets (Notes 9 and 10)	-	17
Net impairment losses on financial assets	4	-
Other ¹	633	585
	1,670	1,687

¹Other primarily comprises DTTL subscription fees, IT costs, non-discretionary payments to members, consultants' costs, professional fees, property costs and rental expenses on short-term leases. In 2022, Other operating expenses also includes a £49 million charge in relation to the exit of property leases.

Fees and expenses payable to the Group's auditors, BDO LLP, are as follows:

£'000	2023	2022
Audit of LLP and Group financial statements	350	284
Audit of subsidiaries' financial statements	397	343
Total audit fees	747	627
Other non-audit services	60	61

6. Net finance expenses

£'million	2023	2022
Finance income:		
Interest income	(13)	(1)
	(13)	(1)
Finance expense:		
Interest on borrowings	5	6
Finance charges on lease liabilities (Note 10)	13	11
Unwinding of discounts on member annuities (Note 17)	50	30
Unwinding of discounts on provisions (Note 17)	1	-
	69	47
Net finance expenses	56	46