

Report to partners

The Board presents its report to the members and the audited financial statements of Deloitte & Touche LLP for the year ended 31 May 2008. The financial statements incorporate the financial statements of Deloitte & Touche LLP and entities controlled by Deloitte & Touche LLP. The financial statements that will be filed at Companies House will comprise the group financial statements together with the separate financial statements of Deloitte & Touche LLP.

The members of Deloitte & Touche LLP are known and referred to by both clients and staff as partners. Throughout the financial statements references to partners should be taken as referring to members, as defined by the Limited Liability Partnerships Regulations.

Principal activity

The principal activities of Deloitte are the provision of Audit, Tax, Consulting and Corporate Finance services in the United Kingdom. In addition, professional services are provided in Switzerland by a subsidiary entity.

Strategy

Our strategy remains to be the pre-eminent professional services firm for clients and talent, reflected in superior growth and performance compared to market. The elements of our strategy are:

- A broader range of capability than our competitors delivered to clients through integrated and innovative solutions
- A focus on exceptional quality
- An environment where our people can develop and excel
- A culture that emphasises teaming and high performance.

Structure

Deloitte & Touche LLP is incorporated as a Limited Liability Partnership under the Limited Liability Partnership Act 2000 and is wholly owned by its partners. The principal subsidiary and associated undertakings of Deloitte & Touche LLP are set out in Note 22.

These financial statements are the accounts of Deloitte & Touche LLP and reflect the results for the year to 31 May 2008. The financial statements consolidate the accounts of Deloitte & Touche LLP and all its subsidiary undertakings (the 'group'), drawn up to 31 May each year.

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) during the year were: John Connolly, Steve Almond, Martin Eadon, Gerry Paisley, David Sproul and Bob Warburton. All the designated members served as members of the Deloitte & Touche LLP Executive Group, the most senior management committee, throughout the year.

Business performance

Performance this year has been strong in a business environment which has been more challenging as the year has progressed.

Revenue grew by 11.5% in the year to £2,010m resulting in a 16.0% growth in profit before tax to £654m.

Profit before allocations to partners and retired partners grew by 19.4% to £683m. The average profit per partner was £970,000, an increase of 10.6% over the previous year.

Our performance this year has reflected the strength and resilience of our broad-based capabilities across all our client segments.

People

Staff costs at £729m were 10.0% higher, reflecting our continued investment in our people. The average headcount during the year was 6.2% higher than the previous year and we now have over 12,000 partners and staff working across the group.

Assets and liabilities

Total assets increased by 15.3% to £996m and total partners' interests increased from £309m to £382m.

Provisions include the net present value for annuities payable to both retired and current partners of £502m. Payment of these annuities is conditional on the future generation of profits within the group.

Cash flow

Profit after interest, tax and working capital movements generated a positive operating cash flow for the year of £640m.

The main treasury risks relate to interest, liquidity and currency. The primary currency is 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 and Deloitte & Touche LLP does not undertake formal hedging transactions. Complex financial instruments are not used and speculative activity is not undertaken.

Finance and capital structure

At the balance sheet date partners' interests at £382m amounted to £568,000 per partner compared to £482,000 per partner for the previous year. Fixed capital amounted to £130m or £193,000 per partner. The balance of undistributed profit will, in accordance with the current distribution policy, be released to partners in the 12 month period following the year end.

The balance of Deloitte's funding is provided by bank facilities. We continue to maintain a significant level of committed undrawn facilities to enable us to respond rapidly to opportunities and to fund initiatives without the need for specific financing.

Partners' drawings and capital

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

Partners draw a proportion of their profit share in 12 monthly 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 and Customs on behalf of partners with any excess being released to partners as appropriate.

Partners' profit sharing

Partners share profits based upon a comprehensive evaluation of their individual contribution to the achievement of the group's strategic objectives.

Partners are assigned to an equity group, which is reviewed annually and which describes the attributes, skills and broad performance expected of them. 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 partner to the success of Deloitte. These are:

- **Quality**
Each partner must be a role model for quality in their professional work
- **Talent**
Contribution to mentoring, leading, recruitment, engagement, development and training our people
- **Clients**
Client portfolio managed and roles carried out
- **Brand and Eminence**
Market related activity including regulatory relations, thought leadership, innovation and brand protection roles
- **Revenue Generation, Growth, Business Building**
Contribution to business development building and relationship building
- **Financial Success**
Overall contribution to the financial success of Deloitte
- **Leadership and Management**
Contribution to the group's broad success through leadership and management roles.

Partners within all equity groups are expected to be ambassadors for Deloitte & Touche LLP externally and leaders by example to all of our employees in everything they do. Certain attributes transcend all equity groups. These are:

- Unassailable integrity
- Quality service to our clients
- The highest levels of technical excellence
- Development of people
- Compliance with the group's policies and standards and external regulatory requirements; and
- High quality management of risk.

Partners who provide audit services are expected to be responsive to their clients' service needs, but they are not evaluated or remunerated on the selling of other services to their audit clients.

Partner performance is evaluated in all designated competencies, beginning with the Board's approval of the profit sharing strategy proposed by the Senior Partner and concluding with the Board's review of the recommended profit allocation and equity group going forward for each individual partner, the conclusions of which are disclosed in full to all partners. A committee of partners is tasked with overseeing the management process to ensure consistent and equitable treatment.

Report to partners

Creditor payment policy

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

Trade creditors of the group at 31 May 2008 were equivalent to 12 days' (2007: 15 days') purchases, based on the average daily amount invoiced by suppliers during the year.

Political donations

It is Deloitte's policy not to give cash contributions to any political party or other groups with a political agenda. However, we do seek to develop and maintain constructive and balanced relationships with the main representative political parties and may make available Partner, advisor and staff 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.

Going concern

The Board considers that the financial resources available to Deloitte & Touche LLP are adequate to meet its operational needs for the foreseeable future. Consequently, the going concern basis has been adopted in preparing these financial statements.

Statement of partners' responsibilities in respect of the financial statements

The Limited Liability Partnerships (LLP) Regulations 2001, as amended by The Limited Liability Partnerships (Amendment) Regulations 2005, made under the Limited Liability Partnerships Act 2000 require the partners to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Deloitte & Touche LLP and of the group and of the profit or loss of the group for the year. In preparing these financial statements, the partners are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

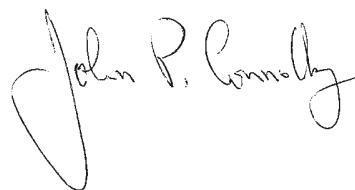
Under the LLP Regulations, the partners are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the group and which enable them to ensure that the financial statements comply with those regulations. The partners have a general responsibility for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The responsibilities are exercised by the Board on behalf of the partners.

Auditors

Grant Thornton UK LLP will be proposed for reappointment.

Approved by the Board and signed on behalf of the Board



John Connolly
Senior Partner and Chief Executive
21 July 2008