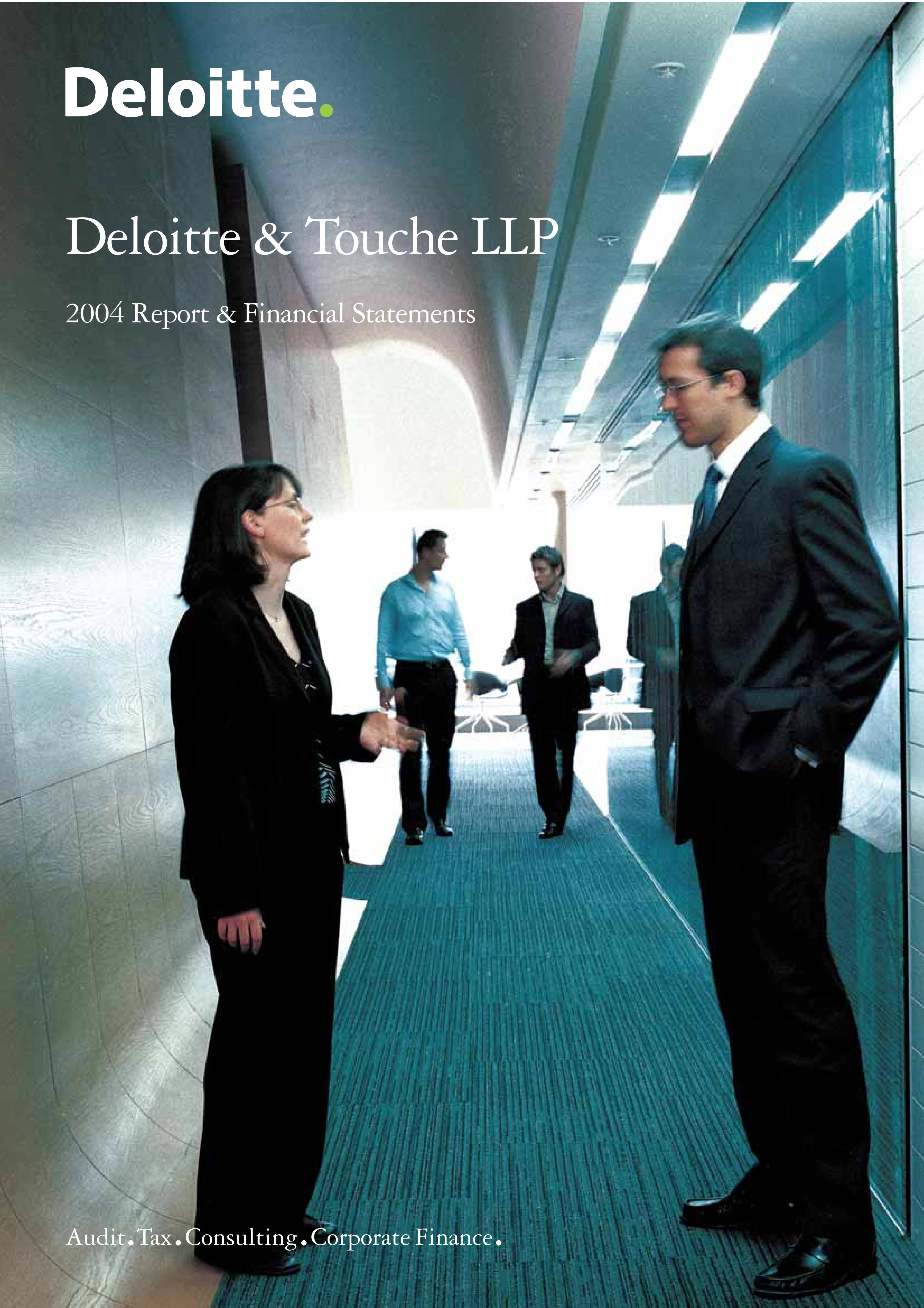
Deloitte.

Deloitte & Touche LLP

2004 Report & Financial Statements



Audit. Tax. Consulting. Corporate Finance.

Contents












Our clients and our people
The images of our clients with our people were taken by David Yeo, the winner of the Deloitte Award for best portrait taken by a photographer under 25. The award was in partnership with the National Portrait Gallery, where we are their Contemporary Displays Partner.

We would like to thank all the clients featured in the photography in this report.

Compass Group PLC

Since the Compass Group was formed by a management buyout in 1987, Deloitte has been its auditor and principal tax adviser, developing a deep knowledge of the group's activities and strategic objectives. Now the world's leading food service and hospitality organisation, Compass has turnover of more than £11 billion and operations in over 90 countries. A succession of senior members of the audit practice have managed the account since the beginning, while partners worldwide have a meticulous understanding of local subsidiaries. Our tax team has given comprehensive advice throughout the group's evolution – helping to structure the acquisitions that provided scale in the 1990s, assisting during the complex merger with Granada and subsequent demerger in 2000/2001, and offering guidance and ideas suited to organic growth today.

Left to right: David Brassington of Compass, Geoff Morgan of Deloitte, Justin Besley and Nigel Palmer of Compass, Ivy Tong of Deloitte.

Deloitte.

Welcome to the first Annual Report of Deloitte & Touche LLP, following our adoption of LLP status on 1 August 2003.

The last few years have been a time of considerable change and complexity for our profession. In the UK, and globally, we have experienced huge shifts in the regulatory environment, at a time when markets for professional services have been tough. In 2002 we saw the demise of Andersen to leave a Big 4.

Deloitte in the UK has been transformed over the last five years. Revenues have more than doubled, we have positioned ourselves as the professional services firm with the broadest range of capabilities and we have massively increased our client base in our chosen markets. The recruitment of nearly 3,400 people from Andersen in 2002 added hugely to our strong talent pool.

Deloitte is now positioned for even greater success. We have established an ambitious and straightforward goal:

To be recognised as the pre-eminent and most trusted professional services firm, famous for the calibre of our people and respected for the exceptional quality of our work.

We know we have to earn this position and we have made a good start. We have set ourselves clear goals and we are confident that we will achieve them.

"Our goal is to be recognised as the pre-eminent and most trusted professional services firm, famous for the calibre of our people and respected for the exceptional quality of our work"

Transport for London

The Central London Congestion Charging scheme has had a dramatic impact since its implementation in February 2003, reducing congestion in the central zone by 30% and the volume of traffic by 15%. Deloitte was appointed in December 2000 to help Transport for London design, procure and implement the scheme, and to support its operation through the early stages of live running. Drawing on the full breadth of Deloitte's consulting, accounting and corporate finance capabilities, we helped TfL to: set up the programme, manage a number of the constituent projects, procure the component services and oversee the complex integration of cameras, communications, call centres, image processing and enforcement services. Despite the scale and complexity and extensive negative press commentary, the scheme successfully went live – as planned – on 17th February 2003.

Left to right: Brian Green of Deloitte, Malcolm Murray-Clark of TfL, Rebecca Birkbeck and Simon Dixon of Deloitte.

Deloitte.

Our business

In Deloitte we have a broader range of capabilities than any other professional services business. Each of our four business divisions – Audit, Tax, Consulting and Corporate Finance – has the capability and expertise to deliver world-class service to our clients.

Our four business divisions focus on the key business priorities for our clients. These may include structuring tax-efficient international supply chains, post-merger integration projects addressing the many soft and hard aspects of making deals work, and complex risk projects such as helping the banking industry to prepare for Basel II and SEC registrants to meet the challenge of Sarbanes-Oxley. We have recently introduced the Deloitte 1000 programme to focus Deloitte's resources, expertise and knowledge for the benefit of our largest clients. However, Deloitte remains broadly based in terms of its market segments and the mid-market is hugely important to us – our Deloitte National Accounts programme keeps a clear focus on the needs and requirements of our mid-market clients.

We are confident that our unique ability to bring together multiskilled teams from different service lines to solve our clients' most complex problems will continue to provide Deloitte with sustained competitive advantage.

Deloitte – our services

Audit
- Audit
- Internal Audit
- Regulatory, Risk & Control Consulting
- Accounting & Financial Reporting

Tax
- Corporate
- Indirect
- Employer Solutions
- Private Clients
- Tax Technology

Consulting
- Strategy & Operations
- Technology Integration
- Enterprise Applications
- Human Capital
- Actuarial & Insurance Solutions

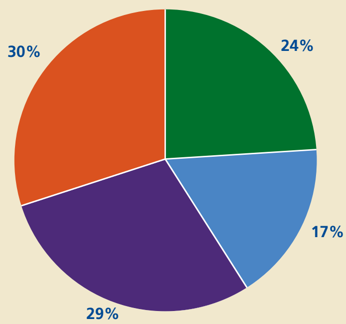
Corporate Finance
- Mergers & Acquisitions
- Transaction Services
- Post-Merger Integration
- Insolvency & Reorganisation Services
- Forensic & Dispute Services
- Specialised Finance

Deloitte – our markets

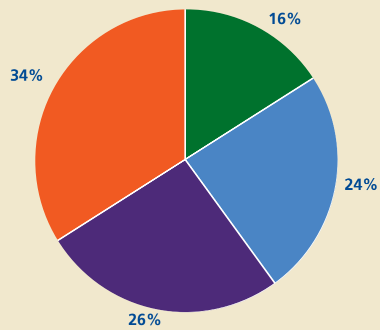
Government & Public Sector, Major Corporate Sector, Mid-Market, Individuals

Deloitte – business profile

Revenue



Profit*



Audit Tax Consulting Corporate Finance

* Profit is calculated before any charge for partner remuneration or interest on partner capital

Candover Investments plc
In 2003 and 2004, Candover has been highly acquisitive, investing in businesses with an aggregate enterprise value of more than €9 billion. As a long-standing adviser to this leading buy out specialist, our Private Equity Transaction Services team performed due diligence on six of the nine acquisitions in the period so far. The businesses were in different sectors – offshore upstream oil services, specialist film packaging, retail gaming and academic publishing. But all possessed characteristics prized by Candover. Typically, these include high quality management and growth potential. After 17 years of close partnership, we have an understanding of Candover's priorities, and work with them to identify the value opportunities and overcome the challenges to concluding a transaction successfully.

Candover's Marek Gumienny with Nicola Kerr of Deloitte.

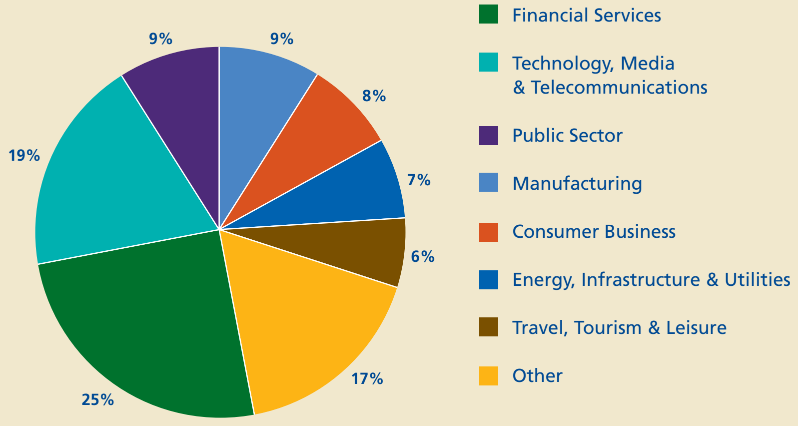
Focus on industries

Our multidisciplinary approach and specialised industry knowledge provides clients with deep expertise. Dedicated UK industry groups, working with teams throughout the Deloitte Touche Tohmatsu network, sustain the specialist skills of our people and deliver insights on the key developments, at home and abroad, which are affecting clients' businesses.

We have particular depth in Financial Services, Technology, Media and Telecommunications and the Public Sector. Clients increasingly welcome the ability to access our knowledge across industries. For example, we are using our global public sector experience, as well as insights from our corporate clients, to work with many government departments as they seek to improve efficiency and productivity. We have also been taking the results of a Deloitte survey on offshoring in financial services into other industries and clients to share the experience of one industry with another.

> "In Deloitte we have a broader range of capabilities than any other professional services business"

Deloitte – revenue by industry



Regional focus

Our services are provided from offices throughout the UK

London

Aberdeen
Belfast
Edinburgh
Glasgow

Leeds
Liverpool
Manchester
Newcastle

Birmingham
Cambridge
Nottingham

Bristol
Cardiff
Crawley
Reading
Southampton
St Albans

William Morrison Supermarkets plc

In July 2004, Morrisons relaunched its 50,000 sq ft former Safeway megastore in Milton Keynes, the first of approximately 300 Safeway stores being converted to Morrisons successful format. The conversion of the stores and delivery of buying synergies are the cornerstones of the integration programme for Morrisons £3.1bn acquisition of Safeway. At Deloitte, our market leading merger integration team, supported by human capital and technology teams, has played a key role. We designed a programme that enabled Morrisons to successfully manage Day 1 and developed detailed integration plans to support the store conversion programme and bring both organisations together. Integrating Safeway is the largest programme ever undertaken by Morrisons and was the first occasion that they have used external business consultants to support them.

Left to right: Belinda Richards of Deloitte, Sir Ken Morrison, Neil Boss of Deloitte.

Deloitte.

Quality, ethics, risk management

Quality is our passion – engrained in our culture, and reinforced by excellent processes and systems. The cornerstone of quality in Deloitte is the calibre of our people and the consultative environment in which they work.

Our client work is partner-led: each of our clients has a Lead Client Service Partner who takes full responsibility for the quality of our service delivery. The quality service and advice that we deliver enables our clients to make good decisions and protects their reputations. It has also protected Deloitte: we believe that not one of our peers can match our excellent claims record in recent years.

Delivering quality

Delivering outstanding quality consistently requires unwavering focus on many aspects of our business. These include our exacting recruitment processes for all our people from trainee to partner; challenging promotion processes for senior staff, particularly into the partnership; targeted training programmes, including service-line specific training that keeps our people at the forefront of new regulation; rigorous client acceptance and review processes and a remuneration structure for partners and staff which recognises and rewards quality, based on detailed objective setting and appraisal processes. These processes and systems are designed to ensure that all our work is the highest quality, that we comply with regulations, and that we reject any assignments that would compromise our integrity or independence.

Client Service Assessment

To deliver quality we need to understand our clients' needs and how we meet their demands. Our Client Service Assessment process undertakes independent, formal evaluations of the level of satisfaction of a range of our clients. The results of our latest review showed the very high levels of satisfaction among our clients, reflecting our absolute focus on client service and our commitment to continuous improvement. We know our clients believe our core strengths to be our independence, integrity and deep technical skills: our proactive solution-based approach and our ability to establish credible professional teams which work with our clients in the right way.

Quality assurance and practice protection

Every individual working on a client project is responsible for delivering quality, and we have robust processes to ensure the work we deliver to our clients is of the highest professional standard and in compliance with all regulations. A dedicated professional standards team provides a hot review before any audit or transaction-related opinion is signed off. All of our people are supported in their compliance, risk management and money laundering obligations by appropriate training programmes.

"The cornerstone of quality in Deloitte is the calibre of our people and the consultative environment in which they work"

"Our global organisation has recently affirmed ethical principles which define the standards of ethical behaviour that unite all the people of Deloitte"

In all parts of our business we have developed improved processes to respond to the changing environment.

Specifically in our audit practice this year we have:

- established an Audit Risk Management Executive Group which ensures a strong link between those managing the practice and those responsible for developing and monitoring regulatory compliance and risk management;
- undertaken an objective review of individual partners' client portfolios to evaluate the risks and how they are managed;
- continued with the considerable investment in the next generation of audit methodology and technology;
- established in London, a Centre of Excellence for International Financial Reporting Standards providing global leadership.

Practice Protection Group

Supporting our client-serving professionals, our Practice Protection Group – led by the Managing Partner Practice Protection, a member of the Deloitte Executive Group – is the guardian of quality. Its size and scope has expanded in response to an increasingly risky business environment. The group comprises compliance, risk management and internal audit experts, providing an all-round function to manage quality and risk.

Increasing regulation, changing and developing standards and ever more complex engagements all bring new opportunities to Deloitte, but also raise new challenges. The Practice Protection Group is at the forefront of these developments, working with the service lines in an open and consultative environment and advising our leadership in developing the Deloitte response.

Independence

We take independence very seriously. We have invested in best-in-class systems to enable us to avoid conflicts of interest in client assignments. We assess whether potential new engagements are consistent with maintaining independence and we monitor partner and staff investments to ensure that we safeguard the independence and objectivity of Deloitte, our people and particularly our audit teams. We have applied audit partner rotation policies for many years and are extending these so that, going forward, audit engagement partners and other key audit partners on our public interest clients will only serve in these roles for a period of five years and seven years respectively.

In the year to 31 May 2004 no client accounted for more than 2% of our total income.

Ethics

Deloitte Touche Tohmatsu, our global organisation, has recently affirmed ethical principles which define the standards of ethical behaviour that unite all the people of Deloitte.

Honesty and integrity – we are straightforward and truthful in our professional and business relationships.

Professional behaviour – we operate within the letter and the spirit of applicable laws.

Competence – we bring appropriate skills and capabilities to every client assignment.

Objectivity – we are objective in forming our professional opinions and the advice we give.

Confidentiality – we prohibit inappropriate disclosure of information and do not misuse client, Deloitte, or people information.

Fair business practices – we receive fees that reflect the value of services provided; we respect our competitors and do not compete unfairly.

Responsibility to society – we recognise and respect the impact we have on the world around us.

Respect and fair treatment – we treat all our colleagues with respect, courtesy and fairness and value their diversity.

Accountability and decision-making – we lead by example, using our shared values as our foundation.

To ensure best practice we are currently codifying all our UK ethics and compliance processes. We have appointed a National Ethics and Compliance Partner. He works directly with the Senior Partner and the Board to set the strategy and priorities for ethics and compliance and has operational responsibility for managing the National Ethics and Compliance Programme.

MCI

In the summer of 2002, WorldCom filed for reorganisation under Chapter 11 of the US bankruptcy code, becoming the largest bankruptcy in US history. By the summer of 2003, WorldCom had renamed itself MCI, regrouped and was ready to begin the process of recovery. Deloitte worked as a key adviser to MCI, supporting the rapid and wholesale transformation of its processes, controls and business reporting systems and facilitating a major SEC financial restatement. Substantial focus and change was required within a tight six-month timeframe. The Deloitte team in the UK led our support for the MCI EMEA and Asia Pacific regions as part of a global programme. To meet MCI's requirements, Deloitte UK integrated specialised skills from our consulting, audit, and tax service lines, particularly in the areas of risk management and controls, business systems and programme management. MCI successfully emerged from Chapter 11 administration on 20 April 2004.

Left to right: Nigel Slater of Deloitte, Melissa Medeiros, Benoit Bellerose of MCI, Reena Shah of Deloitte and Kishor Badiani of MCI.

Deloitte.

Leadership and governance

Our partners are the leadership of Deloitte. Almost without exception, our partners retain client service responsibilities and it is their integrity and unsurpassed commitment to quality and client service, working with their client service teams, which delivers excellence to our clients. Our partners also take primary responsibility for the development of all of our people.

Senior Partner and Chief Executive

John Connolly, the Senior Partner and Chief Executive, has full executive authority for the management of Deloitte. The Senior Partner is nominated by the Board of Partners and elected by the partners for four-year terms of office. The responsibilities of the Senior Partner fall under five principal headings:

- the business of Deloitte, including the development and management of professional services at the highest level of quality and compliance with all regulations;
- the development of policies and strategic direction;
- financial performance;
- partners, including the development and management of our talent goals;
- international, representing the UK firm on the Board and Executive Committee of Deloitte Touche Tohmatsu.

Executive Group

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

The members of the Executive Group are:

John Connolly	A corporate finance partner. Senior Partner and Chief Executive, and Managing Director of Deloitte Touche Tohmatsu.
Steve Almond	An audit partner and Managing Partner Strategy & Planning.
Aidan Birkett	A restructuring specialist and Managing Partner Corporate Finance.
Stuart Counsell	A corporate finance partner and Managing Partner Regions.
David Cruickshank	An international tax partner and Managing Partner Tax.
Martin Eadon	An audit partner, Chief Operating Officer and Managing Partner Audit.
David Owen	A consulting partner and Managing Partner Consulting.
Nick Owen	A consulting partner and Managing Partner Marketing.
Gerry Paisley	An audit partner and Managing Partner Practice Protection.
Graham Richardson	An audit partner and Managing Partner Client Programmes.
Jim Sloane	A consulting partner and Managing Partner Industries.
David Sproul	A tax partner and Managing Partner Talent.
Bob Warburton	An audit partner and Managing Partner Finance & Legal.

"In keeping with our client service focus, every member of the Executive Group is also actively engaged with our clients"

Board of partners
The Board of partners is responsible for the promotion and protection of partner interests and for the oversight of management. It approves Deloitte's long-term strategies and has specific oversight of risk. The Board is composed of the Chairman, the Senior Partner, both of whom are elected by the partners, a further ten elected partners and five Executive Group partners proposed by the Senior Partner and affirmed by the partners.

The current Board comprises:

Martin Scicluna	Chairman
John Connolly	Senior Partner and Chief Executive

Elected members: **Steve Brandon, Sandra Burling, Nick Dargan, Cahal Dowds, Sharon Fraser, Bruce Gordon, Tony McClenaghan, Gerry Murphy, Les Platts, Brian Whitefoot**

Executive Group members: **Steve Almond, Stuart Counsell, Martin Eadon, Graham Richardson, David Sproul**

Corporate governance
Through the Board's oversight of management and the operation of the audit, remuneration and nomination committees, Deloitte is able to adhere to the highest levels of internal Corporate Governance and risk management oversight.

Audit Committee
The Audit Committee monitors all reporting, accounting, financial and control aspects of the executive management's activities. It receives reports from our internal audit team and our external auditors, reports to each meeting of the Board and is a fundamental part of our risk management process.

The Audit Committee reviews the policies and overall process for identifying and assessing business risks and managing their impact on Deloitte, and liaises closely with the external auditors regarding the results of the audit. It receives regular assurance reports from management and others on the operational effectiveness of matters related to risk and control and monitors the timeliness of, and the effectiveness of, corrective action taken by management.

Remuneration Committee
The Remuneration Committee determines and monitors the objectives and the profit shares of the Chairman and Senior Partner.

Nomination Committee
The Nomination Committee produces a candidate list for elections to the Board to achieve the representation and diversity required.

Internal Audit
Deloitte's internal audit team is a key element of the continuous review of the effectiveness of our system of internal control. Reporting to the Managing Partner Practice Protection, the internal audit team is a combination of permanent staff and client-serving secondees from our internal audit service line. The team reviews both financial and non-financial processes, working closely with our external auditors and reporting on a formal basis to the Audit Committee.

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

Partners are assigned to a role level, reviewed annually, which describes the attributes, skills and broad performance expected of them. Each role level carries a wide band of profit sharing units so that relative contributions can be recognised. Partners at all role levels are expected to be ambassadors for Deloitte externally and leaders by example to all of our staff in everything they do. Certain attributes transcend all role levels. These are:

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

Audit partners are expected to be responsive to audit clients' service needs, but they are not evaluated on the selling of other services to their audit clients.

Partner performance is evaluated in all designated competences, 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 role level 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.

Emma Bunton

When the Spice Girls signed to Virgin Records in 1995, our Entertainment Division became their professional advisers – nine years later, we still represent Emma Bunton and three former band members. During the four and a half intense years when the Spice Girls sold 35 million albums and more than 25 million singles worldwide, we became trusted advisers. We provided tax advice, general business advice, prepared accounts, additionally offering guidance on matters such as personal expenditure and financial planning. At critical junctures in their careers, we gave sound counsel. Today, we still represent Emma and the other girls as they progress as solo artists.

Emma Bunton with Charles Bradbrook of Deloitte.

Deloitte.

Talent

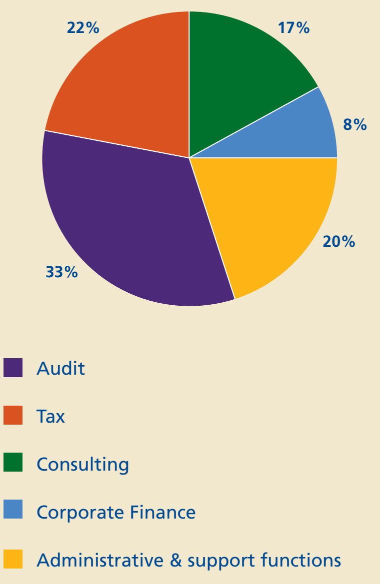
People are the essence of our business and our success depends on them.

Our talent goal is for Deloitte to be the number one firm for career and personal development, where the most talented people can do their best work, progress quickly and fulfil their potential, whatever their background.

The Managing Partner Talent on the Executive Group leads this vital area of Deloitte, supported by a partner in each business with specific responsibility for delivering our talent goals.

Our 9,200 people give their best to our clients; we aim to reward them for their commitment. We value expertise and leadership and provide continuous training and skills development to equip the future leaders of Deloitte with valuable business skills. We focus our bonus and awards programmes to reward those of our people who make the most substantial contributions to our success.

9,200 people



Quality of our people

The quality of our people is reflected in a multitude of ways: many of our partners are recognised leaders in their respective fields; our graduate pass rate in the Institute of Chartered Accountants in England & Wales examinations has far exceeded the national average for many years. Our people also had tremendous success in the Chartered Tax Adviser exams with a pass rate in the 2004 CTA exams of nearly twice the national average and in the 2003 CTA exams our people won seven of the ten awards given and three out of four distinctions. And, whilst we always regret letting top talent go, our people go on to do great things – 24 alumni are Financial Directors, Chief Executive Officers or Executive Chairmen of FTSE 100 companies.

Listening to our people

Our annual People Survey recognises the collaborative nature of our organisation, and consistently demonstrates that our people share a strong team ethos, high levels of drive and proactivity, trust in line management and a strong commitment to quality and integrity. We promote an open, honest environment throughout Deloitte where challenge is welcomed and we are constantly looking for new ways to promote dialogue. This year we launched 'Connections', an upward feedback programme connecting our 100 senior leaders with managers across the business, and we engaged over 10% of our staff in a 'Big Conversation' about the aspirations of our people for the future of Deloitte.

Recruiting the best

As an organisation that rewards talent, we are a leading graduate employer in the UK. In 2004, over 650 new graduates chose Deloitte above our competitors because we are able to offer them the most varied opportunities in our sector. We also recruited over 750 experienced people into Deloitte, all of them bringing new skills and perspectives to enable us to deliver outstanding service to our clients.

Developing our people

We encourage people to take responsibility early, and support them in setting stretching targets to allow them to develop their careers and abilities to the full. We are working hard to ensure that all of our people, members of an increasingly diverse workforce, can contribute to their full abilities, establishing a new series of targets for the promotion of women and a renewed focus on diversity in Deloitte.

We invested substantially in training and development during the year, but it is more than the financial investment that contributes to the excellence of our people. Our partners devote substantial time to the development of all our people and particularly to the progression and assessment of our current partners, principals and directors – the future leaders of Deloitte. We believe that, in an environment of excellence, Deloitte people learn best from their colleagues.

The Lawn Tennis Association
Government funding for sport is increasingly contingent on sports organisations 'modernising' to deliver mass participation (improving the nation's health) and elite success. The Lawn Tennis Association, the governing body for tennis, hired Deloitte's specialist Sports Business Group to advise on corporate governance standards and organisational structure. Our recommendations focused on improving the LTA's effectiveness, streamlining the organisation, and improving clarity and accountability. Our track record in sports assignments meant we could impart tough but credible advice. Following the adoption of important changes, Sport England have confirmed they have awarded the LTA £500,000.

Left to right: LTA Chief Executive John Crowther with Jake Wilson of Deloitte.

Deloitte.

Our contribution to the community

At Deloitte we believe that giving something back to the communities in which we work is the right thing to do. Through the skills and energy of our people, we are making a substantial and increasing impact in our local communities.

By contributing our professional skills and encouraging our clients to become involved, we increase the leverage and impact of our community programmes. These activities are benefiting the recipients and our staff. More than 95% of staff canvassed on one of our programmes said they would recommend participation to a colleague.

During the year our partners and staff donated approximately 15,000 hours to community programmes in normal working time, and we increased the scale of our flagship skills4industry programme. Our charitable donations grew by over 30%, with staff and partners donating more than £1,000,000.

Community programmes

Our community programmes focus on Enterprise, Education and Employability.

- Enterprise: 60 of our staff and partners act as mentors for The Prince's Trust, supporting young people who have set up businesses with a loan from the Trust.

- Education: 250 of our staff and partners mentor secondary school students from disadvantaged communities who may be at risk of underachieving in the run-up to their GCSE exams.

- Employability: skills4industry (www.skills4industry.org) is our flagship programme giving young people the qualifications, experience and skills they need in order to gain employment. Sponsored by some of the largest UK companies and funded by the Department for Education & Skills, it is designed for 16-18 year olds from disadvantaged communities who have underachieved at GCSE, but demonstrate above average aptitude for success in a vocational environment. More than 100 students are currently enrolled on Information Technology and Retail courses at Further Education colleges across the country.

The quality and impact of our work has been widely recognised during the year. skills4industry has won three awards: a Lord Mayor of London's Dragon Award, a Business in the Community Award for Excellence, and a Greater London Training Award.

Charitable giving

We direct our charitable giving towards charities representing children and young people, health and the community. 1,300 staff contribute to our Give As You Earn scheme, and their donations of more than £500,000 ranked Deloitte among the Top 20 payroll giving companies. Our national charity partners in the year just ended were ChildLine and Marie Curie Cancer Care. Each of our regional offices runs a fundraising programme in support of a local charity chosen by staff, this year raising over £200,000. And the Deloitte Foundation donated £400,000 to charity, including matching donations for staff fundraising.

"Through the skills and energy of our people, we are making a substantial and increasing impact in our local communities"

WPP Group plc

WPP Group plc, one of the world's largest marketing services groups with 1,700 offices in 104 countries, is one of Deloitte's major global clients. Given the scale of WPP's operations, the need to provide a closely coordinated service of consistent quality regardless of location is of paramount importance to WPP. To achieve this Deloitte has ensured that the lead client service team take a hands-on approach to providing their services whether it be Audit, Transaction Support Services or Tax services globally. The Deloitte team seeks at all times to mirror WPP's own structure, with the central team being jointly based in London and New York, and with teams also based in Europe, North America, Asia Pacific and Latin America to coordinate our services regionally.

Left to right: Richard Muschamp of Deloitte, Paul Stanley of WPP, Timothy Mahapatra of Deloitte, Paul Richardson of WPP, Joanna Keith and David Evans of Deloitte.

Deloitte.

Our global organisation

Deloitte Touche Tohmatsu is an organisation of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed in nearly 150 countries. With access to 120,000 people worldwide, the member firms of Deloitte Touche Tohmatsu deliver services in four areas – Audit, Tax, Consulting and Corporate Finance – and serve more than half of the world's largest companies, as well as large national enterprises, public institutions and local clients.

Deloitte Touche Tohmatsu is a Swiss Verein (association). It does not provide services. Services are provided by member firms, each of which is a separate and independent legal entity. Deloitte Touche Tohmatsu is governed by a Governance Committee, a Board of Partners and an Executive Group. Membership is drawn from member firms and Deloitte UK is represented on all three committees.

In the UK, Deloitte & Touche LLP is the member firm of Deloitte Touche Tohmatsu, and services are provided to clients by Deloitte & Touche LLP and its subsidiaries.

Shared Values

Our global vision is to be recognised as the best professional services firm in the world. This is underpinned by a consistent focus on our Shared Values of:

- Integrity
- Outstanding value to markets and clients
- Commitment to each other
- Strength from cultural diversity.

The UK firm is the second largest member firm after the US and makes a substantial contribution to the continuing development of our global organisation. Many of our UK partners assume global leadership roles.

"Our global vision is to be recognised as the best professional services firm in the world"

Senior Partner and Chief Executive's Report

John Connolly
Senior Partner and Chief Executive

"The reputation of Deloitte is entirely dependent on the quality of our people"

This is the first time that Deloitte has produced a Report and Financial Statements since our adoption of LLP status on 1 August 2003 and I am delighted to be able to report on another very successful year for Deloitte.

Market

The last 12 months have continued to be challenging for our business and for our clients: a time of great change in the economic, regulatory and business environment. For a time in 2003 it looked as though the world's leading economies could be plunged into deflation as the equity market reached new lows and interest rates were cut. By the first half of 2004, however, the world economy recovered and the interest rate cycle turned upwards again.

In the UK, this change in the international environment signalled the danger that the economy could overheat. Consumer spending continued to grow strongly, as did government spending. If exports also continue to grow, then there may not be the spare capacity to meet all these demands. As a result there has been a decisive rise in interest rates, with the potential for further increases.

Within this economic framework, the environment in which companies transact business is more and more complex and subject to the increasing pace of technological and economic change. The Government and regulators have been challenged to manage this environment and, we feel, may on occasion have over-compensated with regulation and legislation. We believe that in recent months, we have begun to see greater realism, especially against the backdrop of potential economic fragility.

In the high end corporate sector we have seen continuing complexity as clients determine their policies in line with new regulations. This has restricted some of our business opportunities, but overall our broad capabilities enable us to expand our advisory and consulting services when companies seek new advisers. The upturn in general market activity, which we had anticipated at the beginning of the business year, did not appear with the strength that we had expected but we saw improving signs in the latter part of the year. Corporate transaction activity continued at relatively low levels for most of the financial year. However, levels of corporate investment finally started to pick up in the last quarter. Furthermore, a trend that was reinforced over the year was the increasingly significant role played by private equity firms in the UK and European markets, an area of great strength for Deloitte.

Our business

Our declared strategy is to offer the broadest range of services and capabilities required by our clients. The Deloitte business draws great strength from our business model, unique in our sector, of a balanced business in our four major service lines: Audit, Tax, Consulting and Corporate Finance. Working with major companies, government and the public sector, the corporate mid-market and individuals, we can meet the most complex and challenging needs of our clients, while always working completely within all relevant statutory and regulatory frameworks.

Our business strategy is built on an unswerving focus on delivering the highest quality service to our clients, high and sustained levels of profitable growth, a priority on teaming and an unshakable commitment to ensure that we have the best people working with the best clients on the most complex projects in the marketplace.

Recent years have seen Deloitte take a number of bold moves to build our position and eminence in the marketplace. These include the acquisition of the actuarial and insurance consulting business of Bacon & Woodrow in 2001, the Andersen transaction in 2002, the integration of our two consulting businesses in 2003 and the recruitment in recent years of key teams of outstandingly talented partners and partner teams to strengthen and build our partner group. As a result, revenues have more than doubled in the last five years.

This year we undertook a broad-ranging review of our business to identify where we could take measurable actions to accelerate our momentum further. This has led to a refreshed strategy and growth plan, a renewed commitment to supporting and building talent in Deloitte and an increased determination to build a new level of eminence and brand profile in the marketplace. At the same time we restated and reinforced our commitment to always doing the right thing and maintaining the highest level of integrity and client service quality throughout our organisation.

A key change this year was the global adoption of our new brand name 'Deloitte'. We made this change to create a consistent global identity, one which expresses the personality and attributes of our brand. The move to 'Deloitte' gave us the opportunity to refine our visual identity, which now features our people as the heart of our brand.

Talent

The last few years have seen a great deal of change for our people. Externally, they have had to help our clients respond to a rapidly changing regulatory and economic environment, whilst internally we have successfully integrated thousands of colleagues from the Andersen firm and from Deloitte Consulting.

I am proud of the way all of my colleagues have handled this level of change and delighted that throughout this period, their commitment to client service has remained very high. Deloitte's reputation is entirely dependent on the quality of our people and attracting, motivating and retaining the best talent is critical to our success.

I am also very aware that our people achieve the highest levels of performance when they feel committed to Deloitte and feel that Deloitte is the place where they can achieve their own personal and career goals. In November 2003, we carried out a comprehensive survey to understand people's perceptions of Deloitte and to understand what we could do to improve that commitment. We have undertaken a number of activities during the year as a result of the feedback we have received and put renewed focus on our people.

As a guide and framework for this effort, we began by restating our vision for Talent at Deloitte. Our aim is to be the number one firm for career and personal development, where the most talented people can do their best work, progress quickly and fulfil their potential, whatever their background. In May 2004, when I reconstituted my Executive leadership team, I appointed a Managing Partner Talent to take ownership of our Talent agenda across all our businesses. He is working with talent partners representing each service line and our national departments to ensure that we will achieve our aim.

It is important to me that we ensure our people share in Deloitte's success and our bonus schemes are an important part of this. During the year, we revised our bonus scheme for people at management grades, linking it more directly to the success of the business, and introduced a new scheme of quarterly awards for people at other grades who make outstanding contributions to Deloitte, their colleagues or their clients. In total, over 3,200 of our people received a bonus or award during the year.

We have also launched a number of initiatives to improve communication with our people. One of these – the 'Connections' programme – brings together 100 partners in senior leadership roles with 100 managers and senior managers across the business, in a one-to-one relationship designed to improve two-way communication and engagement. This programme has been immensely useful in providing our leadership with further insights around what is important to our people and in providing some of our people with more access to our leadership team. I also held a series of 'Roadshow' communication events with all our people across Deloitte, giving them the opportunity to hear about our plans directly from me and to gain greater insight into our aspirations for them and for Deloitte.

Finally, in response to feedback from our senior people, we have introduced a new grade, principal, as an alternative career destination to that of partner. In June this year, we celebrated 28 promotions to partner, 47 promotions to the new principal grade and 97 promotions to director, the grade immediately below principal and partner. This was a great testament to the qualities of the individuals being promoted as well as to the strength of Deloitte.

By the close of the year, I was satisfied that we were successfully placing even more emphasis on Talent as a crucial part of our strategy. We are re-engaging our people at all levels in the future direction of Deloitte. We will ensure that the future growth and success of Deloitte will also deliver growth and success for our people. I very much look forward to continuing this work in the coming year.

Vodafone Group Plc

As Vodafone Group has grown rapidly to become the world's largest mobile telecommunications company, so the Deloitte audit team's responsibilities have expanded with it. The Group's turnover is now over £33bn compared with £3bn in 1998, and it has interests in 26 countries across five continents. During recent years, we have worked alongside Vodafone as it executed two transformation transactions – the 1999 merger with AirTouch Communications, Inc. and the 2000 acquisition of Mannesmann AG. We are now working with Vodafone as they prepare for compliance with Section 404 of the Sarbanes-Oxley Act and International Financial Reporting Standards for the year to 31 March 2006.

Left to right: Panos Kakoullis, Andrew Bond and Hadleigh Shekle of Deloitte, Neil Wright and Robbie Barr of Vodafone.

Corporate Responsibility

Deloitte has a clear commitment to achieving and maintaining high standards in each of the areas within the broad spectrum of Corporate Responsibility.

Regular engagement with our key stakeholders informs and guides our policies and initiatives. Even though our impact on the environment is relatively low in comparison with other sectors, it is our stated policy to minimise the environmental impacts of our operations and services. We focused our efforts this year on recycling, waste management and energy consumption. We also recognise our responsibilities with regard to our suppliers' performance in this area.

We are pleased that our efforts in this area were recognised by a strong ranking in the Business in the Community Corporate Responsibility Index in March. We improved our overall score from 71.6% in 2003 to 84.6% in 2004, reflecting a series of firm-wide initiatives including our diversity programme, our community activities and significant developments in our environmental management and monitoring systems.

Business operations and financial overview

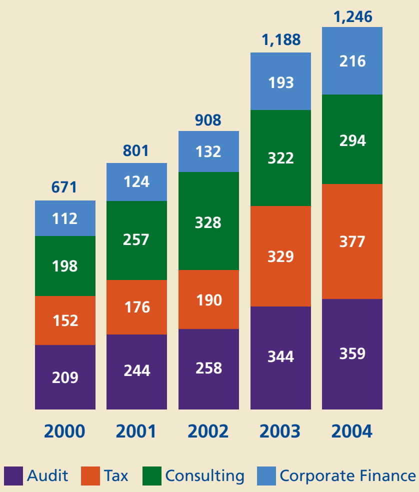
Deloitte's performance this year has been strong, particularly in the context of challenging markets. Revenue at £1,246m was 4.9% higher than in 2003. Profit available for distribution to members was £374m, up by 15.5% compared with the equivalent prior year figure. The profit growth was 48.7% after the exceptional integration costs following the completion of the acquisition of certain assets from Andersen in financial year 2003. The average profit share of partners was £621,000, an increase of 15.2% over the average profit share in the previous year, before the Andersen transaction and integration costs.

The profit improvement reflects our growth, careful control of costs and improved productivity. The number of client-serving staff reduced by 483 compared to the prior year as the business was reshaped to match the needs of the market. Net revenue per partner (excluding expenses on client assignments) grew by 5.1% to £1,796,000 and net revenue per fee earner grew by 12.2% to £147,000.

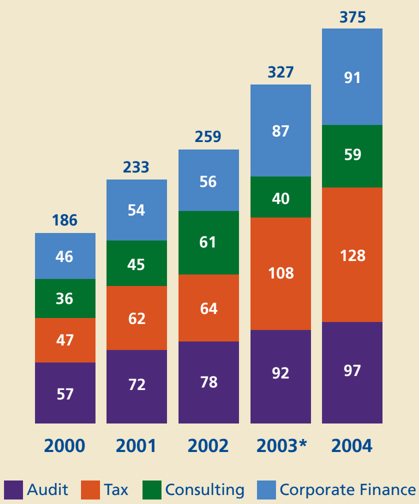
These results were achieved within the context of a number of key developments over the last two years: the Andersen transaction on 1 August 2002, conversion to LLP status on 1 August 2003 and the reintegration of our Consulting businesses into one single organisation on 1 September 2003.

Overall, our performance this year has reflected the strength and resilience of our multidisciplinary practice and the benefit of maintaining a broad base of capabilities.

Revenue (£m)

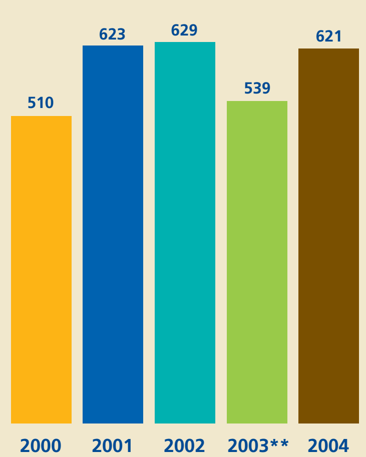


Profit before taxation (£m)



* Before Andersen transaction and integration cost

Profit per partner (£000)*



* Profit available for distribution to partners
** Before Andersen transaction and integration cost

Cadbury Schweppes plc

Deloitte acts as group auditor to Cadbury Schweppes plc, one of the world's largest international confectionery and beverages companies with a turnover of over £6 billion and operations in almost every country in the world. Cadbury Schweppes' strategy is to create robust and sustainable regional positions through organic growth, acquisitions and disposals. This recently included the strategic acquisition of the Adams confectionery business for $4.2 billion in 2003, including such brands as Trident, Dentyne and Halls. The team serving Cadbury Schweppes has developed a deep understanding of the group's global operations and was pleased to have assisted on this significant transaction.

Left to right: Jane Whitlock, Andrew Wilcox of Deloitte, Mark Jones, Head of Manufacturing, Bournville, Gerry Murphy and Victoria Robinson of Deloitte.

Looking at the performance in each service line:

Audit
Audit revenue grew by 4.5% to £359m. The impact of lower volumes of corporate transaction activity by our clients was more than offset by a strong performance in winning new audit relationships and additional revenues arising from the impact of regulatory change.

Our audit penetration of the FTSE 100 has continued to grow to 20 clients at the end of the financial year from just seven at the end of 1997, while our FTSE 250 audit market share has more than doubled in the same period. We anticipate continuing opportunities to secure new audit relationships in this environment, where we believe our quality and service proposition is highly competitive.

Audit scope and audit pricing has increased, reflecting an increasing appreciation by companies of the value of sound auditing, and in particular our proposition, which combines industry and specialist technical skills to deliver a thorough, relevant audit.

Our internal audit business has grown strongly during the year as companies have increased the scale and scope of internal control functions, and our regulatory, risk management and control specialists have been very busy supporting clients with the implementation of Sarbanes-Oxley S404 and other regulatory compliance challenges.

Over the second half of the year we have experienced rapidly increasing demand for help in dealing with International Financial Reporting Standards, as companies have increasingly begun to focus on this. In addition to supporting our audit clients, a number of companies for whom we are not auditors have turned to our specialist IFRS implementation unit, which combines experienced client service professionals with deep technical expertise to deliver practical solutions. We expect strong demand for this service to continue into 2004/05.

Tax
Tax revenue grew by 14.3% to £377m. Our tax practice is pre-eminent in the UK and we are proud to serve the majority of the FTSE100 and a significant part of the FTSE250. We also have an outstanding client list of foreign-owned multinationals, private equity houses and mid-market companies, together with the entrepreneurs behind them. We grew all areas of our tax business last year in a market that has never been more challenging. Feedback from our clients on how well we have served them is the key measure of success for us. However, our success has been confirmed in other ways. Our Research & Development tax services team was recognised as the best tax team in a large firm in the Lexis Nexis UK Tax Awards 2004 due to the significant value added to our clients and the competitive advantage to Deloitte.
We were ranked as the leading tax adviser in the UK by International Tax Review's World Tax 2004 report and in the International Tax Review Survey for 2003 we were ranked No.1 by the market in M&A, Transfer Pricing, Cross Border Structuring and Indirect Taxes.

Consulting
Consulting revenue was 8.6% down on 2003 at £294m, reflecting the very slow markets in the earlier part of the year, though we demonstrated strong growth in our Actuarial & Insurance Services business. Our Consulting business has a distinctive blend of world-class advisory and implementation expertise, enriched by the range of skills in the rest of Deloitte, which sets us apart in a tough business climate where clients demand bespoke but pragmatic solutions. Our clients benefit from our industry insight, and multi-disciplinary business model, which allow us to develop forward-looking solutions.

In 2003 we exited a number of consulting relationships which might have created conflicts with audit appointments and this contributed to the revenue reduction in 2004. In a fragmented market, there is huge potential for growth in our Consulting business quite independent of our audit client base. The expertise of our Consulting partners in complex programme management is helping us to develop and to maintain a growing number of board level relationships with major organisations. The analyst community is now recognising the benefits to clients of having Consulting as part of the wider firm. We now have a strong and robust business and expect a strong resurgence in the coming year.

Corporate Finance
Corporate Finance revenue grew by 12.1% to £216m. The market for Reorganisation Services investigations work was relatively weak but all other aspects of this business enjoyed strong growth. Our Corporate Finance business is primarily focused on corporate transactions and boasts scale in advisory, due diligence and reorganisation services together with deep expertise in niche areas such as post-merger integration, business modelling and fraud investigations. Independent market analysts Mergermarket ranked us the UK's number two mergers and acquisition adviser for 2003 by number of deals, and the European Venture Capital Journal judged Deloitte private equity accountancy firm of the year (UK and Europe).

Operating costs
Operating costs were £856m, 0.6% higher than the pre-Andersen transaction and integration cost total in 2003. Total staff costs were £462m, £5m up on the prior year, with the increase attributable to higher social security and pension costs. Salaries at £391m were 2% lower than in 2003 consistent with the 5.6% reduction in average headcount. Other operating expenses at £198m were 0.4% higher.

Exceptional Andersen transaction and integration cost
The integration which followed the Andersen transaction resulted in a profit and loss account charge of £72m in the year ended 31 May 2003. These costs covered surplus property provision, integration and professional costs.

Net assets
Net assets at 31 May 2004 amounted to £249m. This included fixed assets of £198m and net current assets of £275m. Our net bank overdraft position at the year end was £33m. Provisions include the net present value of annuities payable to retired partners. These are unfunded but are a key differentiator in the partner remuneration package of Deloitte compared to other comparable leading professional service firms. The cost of the payment of partner pensions is capped at 8% of profits in any year.

Investments include £45m of quoted Government stock and corporate bonds in our wholly owned insurance captive, Peterborough Insurance PCC Limited. The claims provision at 31 May 2004 is £19m.

During the year we invested £46m in capital expenditure programmes, with the most significant investment relating to the continuous development of our IT capability.

Cash flow
Profit after interest, tax and working capital movements, generated a positive operating cash flow for the year of £426m (2003 – £250m). After capital expenditure and transactions with partners there was a positive cash flow of £40m. This compares to an outflow of £147m in 2003 which included payments of £89m for the purchase of certain assets from Andersen and £19m of exceptional integration costs.

Our main treasury risks relate to interest, liquidity and currency. We do not engage in speculative activity or use complex financial instruments. The primary currency of the group is sterling but certain expenses and charges from overseas offices are denominated in other currencies and some fees are rendered in other currencies. The volume and timing of currency inflows and outflows provide a natural hedge and Deloitte does not undertake formal hedging transactions.

Finance and capital structure
Approximately 88% of net assets are financed by partner capital and undistributed profit. This is equivalent at the balance sheet date to £414,000 per partner. Fixed capital amounts to £108m or £180,000 per partner. The balance of undistributed profit will, in accordance with our current distribution policy, be released to partners in the 20 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.

BP p.l.c.

BP's growth and transformation has led the Group to change the way the business is controlled in order to support a truly global operation. Early in 2003, a team of Deloitte professionals began working for the BP Europe Controller to support BP's efforts to manage change in the areas of people, processes and systems. As part of this 3-5 year programme, the Deloitte team is currently planning to deliver multiple work projects in Europe, and is monitoring European project activity currently underway within the finance function. This team forms a key element of the wider advisory services Deloitte provides to BP globally in Audit, Tax, Consulting and Corporate Finance.

Left to right: David Williams and Maria McMahon of Deloitte, Kati Svehla of BP, Steen Hansen, Tomas Fauconnet-Nielsen, Sean Wheeler and Helen Alexander of Deloitte, Graham Pooley of BP and Lloyd Thomas of Deloitte.

The Royal Bank of Scotland Group plc

The Royal Bank of Scotland Group's Financial Markets business is number one in sterling foreign exchange and interest rate derivatives trading. One of the largest banks in the world by market capitalisation, 70% of the top 100 companies in Europe bank with RBS. At Deloitte, RBS is one of our largest UK audit clients and we bring a deep expertise in financial services to the audit. Including RBS, we audit three of the top seven banks in the UK and two of the largest global investment banks.

Left to right: John Hourican of RBS, Mike Lloyd and Louise Gelling of Deloitte, Brian Crowe of RBS.

Looking forward

Market and environment

We look forward to the coming year with great confidence. The outlook for the UK economy is good and 2004 should see GDP grow by 3-3.5%. Corporate profits, which have already been recovering, should continue to pick up. Next year, however, does present some challenges. Will the world recovery continue? There are already signs that the US recovery could be slowing and the US will have to confront its burgeoning budget deficit. The Chinese authorities have taken steps to slow the pace of growth and some commentators have started to worry that this will bring the economy to an abrupt halt, which would have adverse effects on growth throughout the world, but particularly in Japan.

Here in the UK, the principal worries concern the effects of rising interest rates on the housing market and the prospect of major tax rises. If, as many commentators now believe, house prices are set to fall next year, then consumer confidence will be hit and the growth of consumer spending should slow. There is also a danger of this same effect being precipitated by an increase in taxes after the election. However, higher taxes are likely to be delayed until the budget of 2006, and in any case we believe that they are unlikely to be on a scale to cause a major problem.

While in 2005 the pace of economic growth may slow in response to slower growth of consumer spending, we expect much of the economy will continue to expand strongly. Moreover, once the consumer slowdown has done its job of rebalancing consumer balance sheets, then faster GDP growth can resume. If the pound were to fall from its current level then the profitability of those parts of the economy, particularly manufacturing, which are exposed to international competition would take a leap. This would provide a further boost to corporate profitability.

Public administration at all levels – the EU, the UK national government and local government – is having a far greater impact on business than in the past. Our forecast is that, whilst this may increase, the result will be largely positive: increased investment in public services is providing increased stimulus to the economy through a demand for products and services. Planned changes from the Chancellor's July spending announcement and the review by Sir Peter Gershon into government efficiency present the public sector with unparalleled opportunities to reform, and businesses such as ours with extensive opportunities to offer their expertise.

Taxation

There has been a highly public debate over the past year on the boundaries of acceptable tax planning, both here in the UK and in the other larger economies, most notably the US. The long-term answer here lies in better legislation, and we invest a significant amount of resource of some of our most senior professionals in the various consultative phases of new tax legislation and will continue to do so. In the short term, we are continuing to work closely with government to ensure that anti-avoidance measures, such as the new disclosure rules, operate effectively in practice.

"We look forward to the coming year with great confidence"

International accounting issues
One of the key areas of challenge facing our listed clients is the requirement to implement International Accounting Standards in 2005. They, and we, have, of course, faced new standards before, but never on this scale. This time there will be some standards that are completely new, some that have fundamental changes, and some degree of modification to others. This represents a major learning process for preparers, auditors and users of financial statements, though this is an even bigger issue in other countries. The challenge now is to understand what it means to have to interpret accounting rules on a consistent basis internationally: different backgrounds lead to different interpretations; these need to be identified and a common approach established.

This challenge has been made more difficult as the standards themselves have continued to change. The International Accounting Standards Board promised us a stable platform by March 2004 and whilst much has been achieved we are inevitably still experiencing a number of 'fixes' and can expect a number of further 'interpretations' over the next year. Of more significance is Europe's refusal to move to full endorsement.

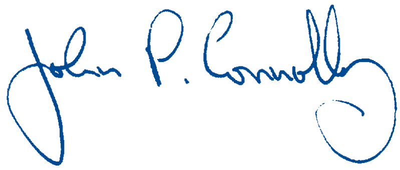
Deloitte strongly supports the move to a single set of global standards. It is in our, and our clients', interest. Only if we are aiming at common standards around the world can regulators expect us to achieve common auditing standards. The move to a new set of standards has implications for all our businesses – tax, consulting and corporate finance – as well as audit. It creates opportunities as well as challenges. These will increase over the coming year and will flavour many of our activities for several years to come.

Auditor liability and regulation
We have taken a robust position in the current debate on liability reform and we were disappointed by the DTI's conclusions on limiting liability by capping. We believe that the recent assessment by the Office of Fair Trading is based on a flawed assumption that firms are able to obtain adequate cover for catastrophe claims. There is no market for insurance which transfers this risk and none is likely to arise and, unlike auditors in other key countries such as the US or Germany, UK auditors do not have proportionate liability or capping.

We believe that, above all, it needs to be borne in mind that liability reform is needed not just for the accounting firms but to enable the UK capital markets to remain strong. Those markets would be significantly disrupted if another major firm were forced to exit from the UK market. We welcome the DTI's statement that it will look closely at limiting liability on a proportionate basis by contract. This can be done in a way that is transparent, has shareholder involvement, is fair for firms of all sizes and enhances competition. We are confident that a consensus will be reached. A key point to bear in mind is that permitting proportionality by contract should not be regarded as objectionable in principle as auditors proven guilty of negligence would still pay their fair share of the loss that they have caused.

We have provided our views on a wide range of matters raised by Government and Regulators including proposed regulations on Operating and Financial Review, the education and training of accountants and draft ethical standards for auditors. As Deloitte has been registered by the US Public Company Accounting Oversight Board to carry out audits of SEC registrants and their subsidiaries, we are also liaising with Deloitte USA on responses to proposed PCAOB standards. Our belief is that further restrictions on services provided to audit clients are unnecessary. Increased transparency to shareholders and the involvement of non-executive directors in determining the company's policy on non-audit services provides sufficient safeguard over perceived independence threats in this area. Further restrictions would also undermine the multidisciplinary nature of audit firms and could actually reduce audit quality, which would not be in the public interest.

Conclusion
In the past five years, Deloitte has been transformed into one of the most successful professional services firms in the UK. Our ambition and drive remain undiminished. Our confidence that we are in a strong position to exploit improving markets is supported by the evidence of a strong first quarter in our 2005 financial year. Our ambition is to be recognised as the pre-eminent and most trusted professional services firm, famous for the calibre of our people and respected for the exceptional quality of our work. I am confident that we can achieve this ambition. Over the coming year, we will continue to build and develop an outstandingly successful firm and I would like to thank each of our partners and all of our people for their own individual contributions to our success.



John P. Connolly
14 September 2004

Report and Financial Statements

Report to the members

The Board presents its report to the members and the audited financial statements of Deloitte & Touche LLP for the year ended 31 May 2004.

Principal activity

The principal activity of Deloitte & Touche LLP is the provision of audit, tax, consulting and corporate finance services in the UK. In addition, consulting services are provided in other European countries through a number of corporate entities, details of which are set out on page 54.

Group structure

Deloitte & Touche LLP was incorporated on 10 January 2003. On 1 August 2003, the business previously carried on by Deloitte & Touche, a partnership with unlimited liability under English Law, was transferred to Deloitte & Touche LLP.

These financial statements are the first statutory accounts for Deloitte & Touche LLP and reflect the results for the year to 31 May 2004. The financial statements consolidate the accounts of Deloitte & Touche LLP and all its subsidiary undertakings (the 'group'), drawn up to 31 May each year. The financial statements have been prepared adopting the principles of merger accounting in respect of the initial transfer of the business to Deloitte & Touche LLP and therefore include the results of the business transferred from Deloitte & Touche for the period prior to its transfer.

Designated members

The designated members during the period were:

J P Connolly – Chief Executive	(appointed 10 January 2003)
M J A Eadon – Chief Operating Officer	(appointed 1 August 2003)
S Almond	(appointed 1 August 2003)
J Ormerod	(appointed 1 August 2003, resigned 31 May 2004)
A G Paisley	(appointed 1 August 2003)
P M Shawyer	(appointed 1 August 2003)
D Sproul	(appointed 1 August 2003)
R W Warburton	(appointed 10 January 2003)

All the designated members served as members of the Deloitte & Touche LLP Executive Group, the most senior management committee, during the period.

Report to the members

Members' drawings and the subscription and repayment of members' capital

All members are equity members and share in the profits and subscribe the entire capital of Deloitte & Touche LLP. Each member's capital subscription is linked to his or her share of profit and is repaid in full on retirement. 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 twelve 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 the Inland Revenue on behalf of members with any excess being released to members as appropriate.

Employees

Policies relating to the recruitment, retention and development of staff are discussed in the Talent report on page 15.

Donations

Charitable and community investment is discussed in the Our contribution to the community report on page 17.
Deloitte & Touche LLP made no political donations.

Supplier payment policy

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

Trade creditors of the group at 31 May 2004 were equivalent to 16 days' (2003: 25 days') purchases, based on the average daily amount invoiced by suppliers during the year.

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.

Report to the members

Statement of members' responsibilities in respect to the financial statements

The Limited Liability Partnerships (LLP) Regulations 2001 made under the Limited Liability Partnerships Act 2000 require the members 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 members 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 2001, the members 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 members 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 members.

Auditors

Grant Thornton were appointed as auditors on 18 December 2003. On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the members consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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
14 September 2004

Independent auditors' report to the members of Deloitte & Touche LLP

We have audited the financial statements of Deloitte & Touche LLP for the year ended 31 May 2004 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the limited liability partnership's members, as a body, in accordance with Section 235 of the Companies Act 1985 as amended by the Limited Liability Partnerships Regulations 2001. Our audit work has been undertaken so that we might state to the members of the limited liability partnership those matters we are required to state to them in an auditors' 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 members of the limited liability partnership, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members and auditors

The members' responsibilities for preparing the report to the members and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of members' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Limited Liability Partnerships Act 2000. We also report to you if, in our opinion, the members' report is not consistent with the financial statements, if Deloitte & Touche LLP has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding members' remuneration and transactions with the partnership is not disclosed.

We read other information contained in the members' report, and consider whether it is consistent with the audited financial statements. The other information comprises only the report to the members and the senior partner's and chief executive's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report to the members of Deloitte & Touche LLP (continued)

Opinion
In our opinion the financial statements give a true and fair view of the state of the affairs of the limited liability partnership and the group as at 31 May 2004 and of the profit for the group for the year then ended and have been properly prepared in accordance with the Limited Liability Partnerships Act 2000.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants

London
14 September 2004

The maintenance and integrity of the Deloitte & Touche LLP website is the responsibility of the members: the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Consolidated profit and loss account

Year ended 31 May 2004

	Note	2004 £m	2003 £m
Turnover	2	1,246.3	1,187.9
Operating costs			
Other external charges: expenses and disbursements on client assignments		(165.3)	(160.7)
Staff costs	5	(462.3)	(457.0)
Depreciation and other amounts written off tangible fixed assets		(30.4)	(36.2)
Other operating expenses including exceptional Andersen transaction and integration costs		(197.8)	(269.4)
Operating profit before exceptional Andersen transaction and integration costs		390.5	336.9
Exceptional Andersen transaction and integration costs	4	-	(72.3)
Operating profit		390.5	264.6
Net interest payable	6	(15.4)	(9.6)
Profit on ordinary activities before taxation	3	375.1	255.0
Taxation	7	(1.0)	(3.4)
Profit for the financial year before members' remuneration and profit shares, available for division among members	15	**374.1**	**251.6**

Consolidated statement of total recognised gains and losses

Year ended 31 May 2004

	Note	2004 £m	2003 £m
Profit for the financial year before members' remuneration and profit shares, available for division among members		374.1	251.6
Provision for annuities payable to members who retired in the year	15	(28.6)	(17.1)
Provision for annuities payable to former partners of Andersen	4	-	(37.1)
Total recognised gains relating to the year		**345.5**	**197.4**

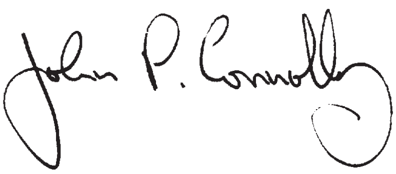
The charge for annuities payable to members who retired in the year and, in 2003, to former partners of Andersen, has been transferred from members' other interests to provisions for liabilities and charges.

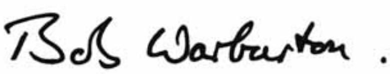
Consolidated balance sheet

31 May 2004

	Note	2004 £m	2004 £m	2003 £m	2003 £m
Fixed assets					
Tangible assets	9	141.3		140.1	
Investments	10	56.6		68.7	
			197.9		208.8
Current assets					
Debtors	11	442.1		531.8	
Amounts due from members		37.5		46.0	
Cash at bank and in hand		43.4		21.3	
		523.0		599.1	
Creditors: amounts falling due within one year	12	(248.1)		(316.1)	
Net current assets			274.9		283.0
Total assets less current liabilities			472.8		491.8
Provisions for liabilities and charges	13		(223.6)		(236.7)
Net assets			**249.2**		**255.1**
Members' other interests					
Members' capital	15		108.2		109.1
Other reserves	15		141.0		146.0
			249.2		**255.1**
Total members' interests					
Members' other interests	15		249.2		255.1
Amounts due from members	15		(37.5)		(46.0)
			211.7		**209.1**

These financial statements on pages 37 to 69 were approved by the Board on 14 September 2004.
Signed on behalf of the Board,





John Connolly
Senior Partner and
Chief Executive

Bob Warburton
Managing Partner, Finance & Legal

Balance sheet

31 May 2004

				Proforma	
	Note	**2004** £m	**2004** £m	**2003** £m	**2003** £m
Fixed assets					
Tangible assets	9	124.6		122.3	
Investments	10	27.1		26.6	
			151.7		148.9
Current assets					
Debtors	11	519.3		547.5	
Amounts due from members		37.5		46.0	
Cash at bank and in hand		20.8		6.9	
		577.6		600.4	
Creditors: amounts falling due within one year	12	(310.3)		(317.4)	
Net current assets			267.3		283.0
Total assets less current liabilities			419.0		431.9
Provisions for liabilities and charges	13		(215.0)		(207.8)
Net assets			**204.0**		**224.1**
Members' other interests					
Members' capital	15		108.2		109.1
Other reserves	15		95.8		115.0
			204.0		**224.1**
Total members' interests					
Members' other interests	15		204.0		224.1
Amounts due from members	15		(37.5)		(46.0)
			166.5		**178.1**

These financial statements on pages 37 to 69 were approved by the Board on 14 September 2004
Signed on behalf of the Board,

John Connolly
Senior Partner and
Chief Executive

Bob Warburton
Managing Partner, Finance & Legal

Consolidated cash flow statement

Year ended 31 May 2004

	Note	2004 £m	2003 £m
Net cash inflow from operating activities	18	444.7	262.8
Returns on investments and servicing of finance	19	(15.4)	(9.6)
Taxation	19	(2.5)	(4.0)
Capital expenditure and financial investment	19	(26.7)	(106.6)
Transactions with members and former members	19	(359.8)	(289.3)
Increase/(decrease) in cash in the year		**40.3**	**(146.7)**
Reconciliation of net cash flow to movement in net (debt)/funds	20		
Increase/(decrease) in cash in the year		40.3	(146.7)
Net (debt)/funds at 1 June 2003		(73.3)	73.4
Net debt at 31 May 2004		**(33.0)**	**(73.3)**

Notes to the Financial Statements

Year ended 31 May 2004

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

Basis of preparation

Deloitte & Touche LLP was incorporated on 10 January 2003. On 1 August 2003, the business previously carried on by Deloitte & Touche, a partnership with unlimited liability under English Law, was transferred to Deloitte & Touche LLP.

These financial statements are the first statutory accounts for Deloitte & Touche LLP and reflect the results for the year to 31 May 2004. The financial statements consolidate the accounts of Deloitte & Touche LLP and all its subsidiary undertakings (the 'group'), drawn up to 31 May each year. No individual profit and loss account is presented for Deloitte & Touche LLP as permitted by section 230 of the Companies Act 1985.

The transfer of the business previously carried on by the unlimited liability partnership has been accounted for in accordance with the principles of merger accounting since the members of Deloitte & Touche LLP at the date of transfer were the same as the former partners of the Deloitte & Touche unlimited liability partnership and their rights, relative to each other, are unchanged. Therefore the members had a continuing interest in the business, both before and after its transfer to the limited liability partnership. Consequently the financial statements have been prepared as if Deloitte & Touche LLP had been in existence both for the current year and the previous year.

Under the principles of merger accounting, the assets and liabilities of the former unlimited liability partnership have been brought in at their book values under the accounting policies of Deloitte & Touche LLP. In addition, the income and expenditure and cash flows of the former unlimited liability partnership have been included for the entire financial year, including the period before the transfer of the business, as well as for the entire previous financial year, also under Deloitte & Touche LLP accounting policies. The balance sheet of the former unlimited liability partnership as at 31 May 2003 is presented as a proforma comparative.

Accounting convention

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including the Statement of Recommended Practice, 'Accounting by Limited Liability Partnerships'. They have been prepared under the historical cost convention, modified to include the revaluation of certain fixed asset investments.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Deloitte & Touche LLP and all its subsidiaries. The acquisition method of accounting has been adopted, other than for the initial transfer of business to Deloitte & Touche LLP discussed above.

Notes to the Financial Statements

Year ended 31 May 2004

1. Accounting policies (continued)

Acquisitions and disposals

On the acquisition of a business fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets the difference is treated as purchased goodwill and capitalised in the balance sheet in the year in which it arises and amortised over its estimated useful life.

The profit or loss on the disposal or closure of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business not previously charged through the profit and loss account.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets 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

Investments

Fixed asset investments are stated at cost less provision for any impairment, except quoted fixed interest corporate bonds and government stock, which are stated at market value. The quoted investments are held by the captive insurer, Peterborough Insurance PCC Limited, and changes in market value are reflected in the profit and loss account.

Amounts to be billed to clients

Services provided to clients during the year, which at the balance sheet date have not been billed to clients, have been recognised as turnover in accordance with Financial Reporting Standard 5 'Reporting the substance of transactions': Application Note G 'Revenue Recognition'. Turnover recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the engagement. 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 debtors.

Notes to the Financial Statements

Year ended 31 May 2004

1. Accounting policies (continued)

Taxation

The taxation payable on profits of the Limited Liability Partnership is the personal liability of the members during the year. A retention from profits is made to fund the payments of taxation on behalf of members.

The companies dealt with in these consolidated financial statements are subject to corporation tax based on their profits for the accounting period. The tax liabilities and any deferred taxation of these companies are recorded in the profit and loss account under the relevant heading and any related liability is carried as a creditor in the consolidated balance sheet.

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 at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The financial charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to the profit and loss account in equal amounts over the lease term.

Provisions

Provision is made for the best estimate of expected losses from onerous contracts, in particular in respect of surplus property.

The present value of the best estimate of the expected liabilities for future payments to retired members, or their dependants, is provided in full as a transfer from undistributed profit, when the member retires, and is recognised in the statement of total recognised gains and losses at that time. Any changes in the provision for former members' annuities arising from changes in former members and their dependants, or in financial estimates and actuarial assumptions, are recorded in the profit and loss account.

Provision is made on a case by case basis in respect of the cost of defending claims and, where appropriate, the estimated cost of settling claims net of insurance recoveries.

Notes to the Financial Statements

Year ended 31 May 2004

1. Accounting policies (continued)

Discounting

Longer term provisions for surplus property and former members' annuities are shown at the present value of the expected liability. 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 profit and loss account as interest payable.

Pensions

Deloitte & Touche LLP operates two pension schemes for staff, the Deloitte & Touche UK Pension Scheme and the Deloitte & Touche Retirement Plan. These are accounted for in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' ('SSAP24'). The Deloitte & Touche UK Pension Scheme contains two sections, a final salary section which is closed to new entrants and a money purchase section. The Deloitte & Touche Retirement Plan is a money purchase scheme which is also closed to new entrants. The cost of the final salary section is charged against profit so as to spread the cost over the service lives of the participating employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. Contributions to the money purchase sections are charged to the profit and loss account when they become payable. A third pension scheme, the Deloitte & Touche Pension Fund was merged with the Deloitte & Touche UK Pension Scheme on 28 May 2004. The transitional disclosure requirements set out in Financial Reporting Standard 17 'Retirement benefits' ('FRS17') have been applied and these are provided in note 22.

Turnover

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

Deferred taxation

The companies included within these consolidated financial statements are subject to corporation tax based on their profits for the financial year.

Deferred tax is recognised in respect of all timing differences in the corporate entities that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes to the Financial Statements

Year ended 31 May 2004

2. Turnover and segmental analysis

Turnover and profit on ordinary activities before taxation and exceptional Andersen transaction and integration costs, by major service line are as follows:

	Turnover		Profit before taxation	
	2004 £m	**2003** £m	**2004** £m	**2003** £m
Audit	359.3	343.9	97.0	92.2
Tax	376.6	329.4	127.7	108.0
Consulting	294.2	321.8	59.1	40.4
Corporate Finance	216.2	192.8	91.3	86.7
	1,246.3	**1,187.9**	**375.1**	**327.3**

All activities are continuing.

Geographic analysis of turnover

Turnover by origin is as follows:

	2004 £m	**2003** £m
UK	1,238.8	1,181.5
Europe	7.5	6.4
	1,246.3	**1,187.9**

Turnover by destination is as follows:

	2004 £m	**2003** £m
UK	1,071.8	1,033.5
Europe	87.2	83.2
North America	74.8	59.4
Rest of World	12.5	11.8
	1,246.3	**1,187.9**

Notes to the Financial Statements

Year ended 31 May 2004

2. Turnover and segmental analysis (continued)

Net asset analysis

The segmental analysis of net assets is as follows:

	2004 £m	2003 £m
Audit	100.3	94.5
Tax	132.0	108.7
Consulting	62.9	45.9
Corporate Finance	94.8	90.6
Unallocated assets and liabilities	(140.8)	(84.6)
	249.2	**255.1**

Unallocated assets and liabilities mainly comprise investments, cash at bank and in hand, bank borrowings, provisions and tax balances.

3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2004 £m	2003 £m
Operating lease payments:		
– land and buildings	40.1	34.2
– other	0.2	2.8
Depreciation and amortisation on owned assets:		
– tangible fixed assets	30.4	36.2
Loss on sale of tangible fixed assets	2.9	0.5
Loss on sale of investments	3.0	-
Auditors' remuneration: audit fees - Grant Thornton UK LLP	0.2	-
– Other firms	-	0.1

4. Andersen transaction

On 1 August 2002 Deloitte & Touche completed an agreement to purchase certain assets of Arthur Andersen & Co ('Andersen') and its affiliated partnerships. At the same time it recruited 227 partners and 3,150 staff from Andersen. As a result of the transaction Deloitte & Touche LLP incurred certain exceptional costs, primarily related to office accommodation. These were written off in the profit and loss account in the year ended 31 May 2003 and comprised:

	2004 £m	2003 £m
Surplus property provision	-	52.8
Office moves and other related integration costs	-	13.4
Legal & professional costs	-	6.1
	-	**72.3**

Notes to the Financial Statements

Year ended 31 May 2004

4. Andersen transaction (continued)

Deloitte & Touche assumed the obligation to pay retirement annuities to former Andersen partners. A provision of £37.1m was established in respect of these commitments and, consistent with the provision in relation to annuities payable to members who retire from Deloitte & Touche LLP, was charged against the statement of total recognised gains and losses for the year ended 31 May 2003.

The following assets were acquired in the transaction:

	2004 £m	**2003** £m
Fixed assets	-	67.4
Work in progress	-	27.7
Accruals less prepayments	-	(6.4)
	-	**88.7**

5. Staff costs

Employees

The average number of people employed during the year (excluding members) was:

	2004 No.	**2003** No.
Client-serving staff:		
Audit	2,755	3,017
Tax	1,847	1,856
Consulting	1,449	1,694
Corporate Finance	682	649
	6,733	7,216
Support staff	1,814	1,835
	8,547	**9,051**

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

	2004 £m	**2003** £m
Salaries	390.8	398.9
Social security costs	39.4	38.1
Other pension costs (note 22)	32.1	20.0
	462.3	**457.0**

In 2003 a salary sacrifice scheme was implemented for employees who are members of the pension schemes. The effect of this implementation has been to decrease salaries by £6,192,000 (2003: £2,827,000) and increase other pension costs by £6,192,000 (2003: £2,827,000).

Notes to the Financial Statements

Year ended 31 May 2004

6. Net interest payable

	2004 £m	2003 £m
Interest payable on bank loans and overdrafts	(8.5)	(5.3)
Interest receivable	2.6	5.4
Other interest payable	(7.4)	(7.1)
Unwinding of discount on provisions	(2.1)	(2.6)
Net interest payable	**(15.4)**	**(9.6)**

7. Taxation

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

	2004 £m	2003 £m
UK corporation taxation charge for the year	1.2	2.5
Total current taxation	1.2	2.5
Deferred taxation – timing differences	(0.2)	0.9
Taxation on profit on ordinary activities	**1.0**	**3.4**

	2004 £m	2003 £m
Profit on ordinary activities of corporate entities before taxation	3.3	1.8
Taxation on profit on ordinary activities at 30% (2003: 30%)	1.0	0.6
Factors affecting the charge for the year:		
– capital allowances in excess of depreciation	(0.2)	(0.7)
– disallowable expenditure	0.4	2.6
Total current taxation	**1.2**	**2.5**

Notes to the Financial Statements

Year ended 31 May 2004

8. Members' share of profits

Profits are shared among the members after the end of the year in accordance with agreed profit sharing arrangements.

The Statement of Recommended Practice, 'Accounting by Limited Liability Partnerships', requires that the average profit per member is calculated by dividing the profit for the financial year before members' remuneration and profit shares, by the average number of members.

	2004 No.	**2003** No.
Average number of members	**602**	**601**
	£'000	£'000
Average profit per member	**621**	**419**

The equivalent amount in 2003 before the exceptional Andersen transaction and integration costs was £539,000.

The share of profits that has been allocated since the year end to the Chief Executive, who was the member with the largest entitlement to profits in 2004, was £2,868,500 (2003: £3,217,300). Deloitte & Touche LLP received a contribution of £1,435,000 (2003: £1,650,000) from Deloitte Touche Tohmatsu relating to his role as the Global Managing Director of Deloitte Touche Tohmatsu.

Notes to the Financial Statements

Year ended 31 May 2004

9. Tangible fixed assets

Group

	Leasehold improvements £m	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Cost					
At 1 June 2003	76.1	48.2	39.9	46.1	210.3
Additions	14.9	15.7	2.5	12.4	45.5
Disposals	(1.7)	(11.1)	(2.8)	(16.5)	(32.1)
At 31 May 2004	**89.3**	**52.8**	**39.6**	**42.0**	**223.7**
Depreciation					
At 1 June 2003	15.9	26.1	14.1	14.1	70.2
Charge for the year	7.6	11.3	5.2	6.3	30.4
Disposals	(1.1)	(8.8)	(2.1)	(6.2)	(18.2)
At 31 May 2004	**22.4**	**28.6**	**17.2**	**14.2**	**82.4**
Net book value					
At 31 May 2004	**66.9**	**24.2**	**22.4**	**27.8**	**141.3**
At 31 May 2003	**60.2**	**22.1**	**25.8**	**32.0**	**140.1**

Included in computer equipment are new business systems which are in the course of development at a cost of £6.7m (2003: £3.6m) which have not been depreciated. Depreciation will be charged when the systems become operational.

Limited Liability Partnership

	Leasehold improvements £m	Computer equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Cost					
At 1 June 2003	59.9	47.4	37.1	46.1	190.5
Additions	14.1	14.6	2.5	12.4	43.6
Disposals	(1.7)	(11.0)	(1.0)	(16.5)	(30.2)
At 31 May 2004	**72.3**	**51.0**	**38.6**	**42.0**	**203.9**
Depreciation					
At 1 June 2003	15.1	25.6	13.4	14.1	68.2
Charge for the year	6.8	10.5	4.3	6.3	27.9
Disposals	(1.1)	(8.7)	(0.8)	(6.2)	(16.8)
At 31 May 2004	**20.8**	**27.4**	**16.9**	**14.2**	**79.3**
Net book value					
At 31 May 2004	**51.5**	**23.6**	**21.7**	**27.8**	**124.6**
At 31 May 2003	**44.8**	**21.8**	**23.7**	**32.0**	**122.3**

Notes to the Financial Statements

Year ended 31 May 2004

10. Fixed asset investments

Group

	Other investments £m	Loans £m	Total £m
Cost or valuation			
At 1 June 2003	63.6	8.5	72.1
Additions	0.3	2.4	2.7
Disposals	(14.3)	-	(14.3)
At 31 May 2004	**49.6**	**10.9**	**60.5**
Provision			
At 1 June 2003	3.1	0.3	3.4
Provided in the year	0.3	1.0	1.3
Disposals	(0.8)	-	(0.8)
At 31 May 2004	**2.6**	**1.3**	**3.9**
Net book value			
At 31 May 2004	**47.0**	**9.6**	**56.6**
At 31 May 2003	**60.5**	**8.2**	**68.7**

Other investments include quoted fixed interest corporate bonds and government stock, which are stated at market value amounting to £44.8m (2003: £57.4m) and unquoted investments totalling £2.2m (2003: £3.1m) which are stated at cost less provision for diminution in value.

The net book value of investments includes the following at market value:

	2004 Net book value £m	2004 Market value £m	2003 Net book value £m	2003 Market value £m
Listed investments	**44.8**	**44.8**	**57.4**	**57.4**

Loans represent long-term loans to Deloitte Touche Tohmatsu (DTT) which are payable between 5 to 15 years. Interest is charged at commercial rates.

Notes to the Financial Statements

Year ended 31 May 2004

10. Fixed asset investments (continued)

Limited Liability Partnership

	Investment in group undertakings £m	Other investments £m	Loans £m	Total £m
Cost or valuation				
At 1 June 2003	18.4	6.2	8.5	33.1
Additions	-	0.3	2.4	2.7
Disposals	-	(1.7)	-	(1.7)
At 31 May 2004	**18.4**	**4.8**	**10.9**	**34.1**
Provision				
At 1 June 2003	3.1	3.1	0.3	6.5
Provided in the year	-	0.3	1.0	1.3
Disposals	-	(0.8)	-	(0.8)
At 31 May 2004	**3.1**	**2.6**	**1.3**	**7.0**
Net book value				
At 31 May 2004	**15.3**	**2.2**	**9.6**	**27.1**
At 31 May 2003	**15.3**	**3.1**	**8.2**	**26.6**

Other investments are unquoted investments which are stated at cost less provision for diminution in value.

Loans represent long-term loans to Deloitte Touche Tohmatsu which are payable between 5 to 15 years. Interest is charged at commercial rates.

Notes to the Financial Statements

Year ended 31 May 2004

10. Fixed asset investments (continued)

Deloitte & Touche LLP has an investment in the following companies:

Principal subsidiary undertakings	**Holding**	**Proportion of voting rights and shares held**	**Country of incorporation**	**Nature of business**
Deloitte MCS Limited (formerly Deloitte Consulting Limited)	Ordinary	100%	Great Britain	Consulting services
Deloitte & Touche Wealth Management Limited	Ordinary	100%	Great Britain	Personal financial services
Deloitte & Touche Private Clients Limited	Ordinary	100%	Great Britain	Personal financial services
Deloitte Total Reward and Benefits Limited (formerly Deloitte & Touche Investment Services Limited)	Ordinary	100%	Great Britain	Investment advisory services
B&W Deloitte SARL	Ordinary	100%	France	Actuarial services
B&W Deloitte GmbH	Ordinary	100%	Germany	Actuarial services
B&W Deloitte GmbH	Ordinary	100%	Switzerland	Actuarial services
B&W Deloitte Limited	Ordinary	100%	Ireland	Actuarial services
B&W Deloitte BV	Ordinary	100%	Holland	Actuarial services
B&W Deloitte S.r.l.	Ordinary	100%	Italy	Actuarial services
Peterborough Insurance PCC Limited	Ordinary	100%	Guernsey	Captive insurance company
Joint venture				
beprofessional.com Limited	Ordinary	50%	Great Britain	Professional services
Other				
Nautilus Indemnity Holdings Limited	Ordinary	20%	Bermuda	Captive insurance company

Notes to the Financial Statements

Year ended 31 May 2004

11. Debtors

Group

	2004 £m	2003 £m
Amounts to be billed to clients	124.9	115.1
Client debtors	249.7	259.4
Amounts due from other member firms of the DTT organisation	30.8	91.4
Other debtors	13.5	40.0
Prepayments and accrued income	23.2	25.9
	442.1	**531.8**

Limited Liability Partnership

	2004 £m	2003 £m
Amounts to be billed to clients	104.6	97.8
Client debtors	201.1	225.8
Amounts due from subsidiary undertakings	173.8	114.8
Amounts due from other member firms of the DTT organisation	10.0	51.1
Other debtors	9.1	34.2
Prepayments and accrued income	20.7	23.8
	519.3	**547.5**

Amounts due from subsidiary undertakings includes a subordinated loan of £7.8m (2003: £7.8m) due from Deloitte & Touche Wealth Management Limited, which is due after more than one year.

Notes to the Financial Statements

Year ended 31 May 2004

12. Creditors: amounts falling due within one year

Group

	2004 £m	2003 £m
Bank loans and overdrafts	76.4	94.6
Trade creditors	13.3	19.1
Amounts due to other member firms of the DTT organisation	21.6	61.8
Corporation tax	1.0	2.5
Social security and other taxes	36.9	36.6
Other creditors	37.0	29.5
Accruals and deferred income	61.9	72.0
	248.1	**316.1**

Limited Liability Partnership

	2004 £m	2003 £m
Bank loans and overdrafts	79.0	105.5
Trade creditors	11.9	13.5
Amounts due to subsidiary undertakings	85.1	61.2
Amounts due to other member firms of the DTT organisation	21.6	9.3
Social security and other taxes	23.9	35.4
Other creditors	35.2	26.0
Accruals and deferred income	53.6	66.5
	310.3	**317.4**

13. Provisions for liabilities and charges

Group

	1 June 2003 £m	Statement of total recognised gains and losses £m	Profit and loss account £m	Utilised £m	31 May 2004 £m
Surplus property	45.6	-	2.9	(11.0)	37.5
Former members' annuities	152.9	28.6	1.8	(16.9)	166.4
Deferred taxation	0.9	-	(0.2)	-	0.7
Professional liability claims	37.3	-	(0.8)	(17.5)	19.0
	236.7	**28.6**	**3.7**	**(45.4)**	**223.6**

Notes to the Financial Statements

Year ended 31 May 2004

13. Provisions for liabilities and charges (continued)

The surplus property provision is provided to cover the expected losses on sublet and vacant properties where expected revenues are less than cost. The provision has been professionally assessed by DTZ Debenham Tie Leung. The provision has been estimated using current costs and has been discounted to present value at a rate of 6.0% (2003: 6.0%).

The majority of the group's liability for former members' annuities is conditional upon the future generation of profits. The provision for former members' annuities has been professionally assessed by Hewitt Bacon & Woodrow Limited and is the present value of the future obligation of the group to provide retirement annuities to former members. The additional provision in respect of members retiring in the current year of £28.6m has been recognised in the consolidated statement of total recognised gains and losses.

The provision for former members' annuities is expected to be utilised as follows:

	2004 £m	**2003** £m
In less than two years	32.6	30.3
Between two and five years	30.3	30.4
Between five and ten years	31.6	28.9
Between ten and fifteen years	26.3	23.2
In more than fifteen years	45.6	40.1
	166.4	**152.9**

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

	2004 per annum	**2003** per annum
Discount rate	5.8%	5.1%
Price inflation	3.0%	2.5%

Notes to the Financial Statements

Year ended 31 May 2004

13. Provisions for liabilities and charges (continued)

Limited Liability Partnership

	1 June 2003 £m	Statement of total recognised gains and losses £m	Profit and loss account £m	Utilised £m	31 May 2004 £m
Surplus property	45.6	-	2.9	(11.0)	37.5
Former members' annuities	152.9	28.6	1.8	(16.9)	166.4
Professional liability claims	9.3	-	11.6	(9.8)	11.1
	207.8	**28.6**	**16.3**	**(37.7)**	**215.0**

14. Deferred taxation

Deferred taxation provided for in the financial statements is set out below.

Group

	2004 £m	2003 £m
Accelerated capital allowances	1.0	1.1
Other timing differences	(0.3)	(0.2)
	0.7	**0.9**

Deferred taxation is recognised on a full provision basis, without discounting, on all timing differences in the corporate entities included within these financial statements.

Notes to the Financial Statements

Year ended 31 May 2004

15. Members' interests

Group

	Members' capital £m	Members' other interests: Other reserves £m	Members' other interests: Total £m	Loans and other debts due to/(from) members £m	Total members' interests £m
Members' interests at 1 June 2003	109.1	146.0	255.1	(46.0)	209.1
Profit for the financial year available for division among members	-	374.1	374.1	-	374.1
Members' interests after profit for the year	109.1	520.1	629.2	(46.0)	583.2
Allocated profits	-	(350.5)	(350.5)	350.5	-
Annuities to members retiring in year	-	(28.6)	(28.6)	-	(28.6)
Drawings and distributions	-	-	-	(342.0)	(342.0)
Capital:					
Introduced	17.1	-	17.1	-	17.1
Repaid	(18.0)	-	(18.0)	-	(18.0)
Members' interests at 31 May 2004	**108.2**	**141.0**	**249.2**	**(37.5)**	**211.7**

Deloitte & Touche LLP's profits are divided based on units issued to members. The unit allocation is completed after the year end and accordingly, there was no automatic division of profits among the members and only certain fixed shares of profit had been allocated as at 31 May 2004. As a result, the balance of profit available for division among the members as at 31 May 2004 is included in other reserves. Drawings by members on account of profits for the year have been classified as amounts due from members.

Members' other interests 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. The amount of capital that each member is required to subscribe is determined by Deloitte & Touche LLP's Board and under the Members Agreement of Deloitte & Touche LLP a member can only withdraw capital when he or she ceases to be a member.

Notes to the Financial Statements

Year ended 31 May 2004

15. Members' interests (continued)

Limited Liability Partnership

	Members' capital £m	Members' other interests: Other reserves £m	Members' other interests: Total £m	Loans and other debts due to/(from) members £m	Total members' interests £m
Members' interests at 1 June 2003	109.1	115.0	224.1	(46.0)	178.1
Profit for the financial year available for division among members	-	359.9	359.9	-	359.9
Members' interests after profit for the year	109.1	474.9	584.0	(46.0)	538.0
Allocated profits	-	(350.5)	(350.5)	350.5	-
Annuities to members retiring in year	-	(28.6)	(28.6)	-	(28.6)
Drawings and distributions	-	-	-	(342.0)	(342.0)
Capital:					
Introduced	17.1	-	17.1	-	17.1
Repaid	(18.0)	-	(18.0)	-	(18.0)
Members' interests at 31 May 2004	**108.2**	**95.8**	**204.0**	**(37.5)**	**166.5**

Notes to the Financial Statements

Year ended 31 May 2004

16. Leasing commitments

At 31 May 2004, the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings 2004 £m	Other 2004 £m	Land and buildings 2003 £m	Other 2003 £m
Operating leases which expire:				
Within one year	0.9	0.3	0.2	0.1
Within two to five years	2.2	0.9	1.8	0.1
In more than five years	53.3	-	47.3	-
	56.4	**1.2**	**49.3**	**0.2**

17. Capital commitments

	2004 £m	2003 £m
Contracted for but not provided in the financial statements	**3.5**	**15.2**
Authorised but not yet contracted for	**3.2**	**2.0**

18. Reconciliation of operating profit to net cash inflow from operating activities

	2004 £m	2003 £m
Operating profit	390.5	264.6
Depreciation	30.4	36.2
Loss on sale of tangible fixed assets	2.9	0.5
Loss on disposal of investment	3.0	-
Provision for investments	1.3	0.1
Movements in:		
Debtors	89.7	(167.8)
Creditors	(48.3)	51.2
Provisions for liabilities and charges	(24.8)	78.0
Net cash inflow from operating activities	**444.7**	**262.8**

Notes to the Financial Statements

Year ended 31 May 2004

19. Gross cash flows

	2004 £m	2003 £m
Returns on investments and servicing of finance		
Interest received	2.6	2.8
Interest paid	(18.0)	(12.4)
	(15.4)	**(9.6)**
Taxation	**(2.5)**	**(4.0)**
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(45.5)	(115.3)
Purchase of fixed asset investments	(0.3)	(0.5)
Proceeds on sale of tangible fixed assets	11.0	8.4
Proceeds on sale of investments	10.5	0.8
Loan to Deloitte Touche Tohmatsu	(2.4)	-
	(26.7)	**(106.6)**
Transactions with members and former members		
Payments to and on behalf of members	(342.0)	(308.2)
Retirement benefits paid to former members	(16.9)	(13.0)
Repayment of capital to former members	(18.0)	(6.4)
Members' capital introduced	17.1	38.3
	(359.8)	**(289.3)**

20. Analysis of change in net debt

	1 June 2003 £m	Cash flow £m	31 May 2004 £m
Cash in hand and at bank	21.3	22.1	43.4
Overdraft	(94.6)	18.2	(76.4)
	(73.3)	**40.3**	**(33.0)**

Notes to the Financial Statements

Year ended 31 May 2004

21. Contingent liabilities

The group has:

- a contingent obligation to pay £18m in respect of uncalled share capital in Peterborough Insurance PCC Limited;
- guaranteed the performance of Liberata plc, a former subsidiary of Deloitte & Touche, under certain of its contracts. The maximum amount payable under the guarantee is approximately £45m and the contracts expire on various dates between January 2007 and 31 March 2008. The group has the benefit of a counter indemnity for the full amount of these liabilities from those members and former members in Deloitte & Touche who are also minority shareholders in Liberata plc;
- guaranteed a performance bond of £5m, given by Barclays, to the Deloitte & Touche Pension Fund in the year; and
- entered into a several guarantee to guarantee a proportion of certain liabilities of Deloitte Touche Tohmatsu. At 31 May 2004 the contingent liability under this guarantee amounted to $117m.

22. Pension commitments

Pension benefits for eligible staff are funded through two main arrangements, the Deloitte & Touche UK Pension Scheme (D&TUKPS) and the Deloitte & Touche Retirement Plan (D&TRP). A third pension arrangement, the Deloitte & Touche Pension Fund (D&TPF) operated as a separate scheme until it was merged with the D&TUKPS in May 2004. A number of smaller pension schemes, all defined contribution schemes, were also in operation during the year.

The pension charge for the year was:

	2004	**2003**
	£m	£m
Defined benefit scheme	23.0	13.0
Defined contribution schemes	9.1	7.0
	32.1	**20.0**

D&TUKPS

The D&TUKPS comprises three sections of which two, the Final Salary Section (FSS) and the Deloitte & Touche Pension Fund Section (D&TPFS), are defined benefit arrangements and one, the Money Purchase Section (MPS) is a defined contribution arrangement.

The most recent formal actuarial valuation of the D&TUKPS was carried out as at 30 September 2002 using the projected unit method. At that date the market value of the defined assets of the FSS was £109m. This represented 58% of the value of the benefits accrued to members allowing for future increases in earnings.

The principal long-term assumptions in the 30 September 2002 valuation of the FSS were:

	per annum (p.a.)
Future pay increases	3.75%
Investment return	5.94%
Increase in the RPI	2.25%

Notes to the Financial Statements

Year ended 31 May 2004

22. Pension commitments (continued)

Following the 30 September 2002 valuation a new Schedule of Contributions was agreed and signed which increased the employer contributions in respect of the FSS from 5% to 13.5% of members' Contributions Salary and Pensionable Pay with effect from 1 November 2003. In addition this new Schedule of Contributions introduced a salary sacrifice arrangement for members following which, the employee contribution of 7.5% was consolidated with the employer contribution such that the total contribution is 21%.

The 30 September 2002 valuation identified a past service deficit of £80m. As a result of this the employer agreed to an arrangement, under the new Schedule of Contributions, whereby additional contributions will be made if an agreed target funding ratio is not achieved each year. In this way the FSS will be returned to a fully funded status over the expected remaining service lives of the members of the FSS.

The contracted-out FSS of the D&TUKPS was closed to new members with effect from 1 June 2001. Employees aged 30 and over are now invited to join the MPS which is a contracted-in defined contribution arrangement created on 1 May 2001. In the MPS, employees contribute at 4% of Basic Salary, restricted to a maximum of the Earnings Cap. The Employer Credit in the MPS is 4% of Basic Salary for members aged between 30 and 39 and 6% of Basic Salary for members aged 40 and over, in both cases the maximum salary is restricted to the Earnings Cap. During the year ended 31 May 2004, these credits were funded in full by the group. A salary sacrifice arrangement exists for members of the MPS such that the Employer Credits total 105% of the member's salary sacrifice plus the relevant age-related Employer Credit.

In May 2004 the D&TPFS was created following the merger of the D&TPF with the D&TUKPS.

D&TPF

The most recent triennial valuation of the D&TPF was carried out as at 1 April 2001 using the projected unit method. At this date the market value of the defined assets was £101m. This represented 96% of the value of the benefits accrued to members allowing for future increases in earnings. The principal assumptions used were: future pay increases 4.0%, investment return 5.5% and increase in the RPI 2.5%.

The D&TPF was a contracted-out final salary arrangement which closed to new members in July 2002. The D&TPF was transferred to the D&TUKPS in May 2004 to create the D&TPFS.

Employer contributions during the year were 11.9% of active members' Pensionable Salary and employee contributions were 5%. Active members of the D&TPF have participated in a salary sacrifice arrangement since April 2002 and as a consequence employee contributions are now consolidated with the employer contribution such that the total contribution is 16.9%.

D&TRP

The D&TRP is a contracted-out money purchase scheme, which closed to new members in July 2002. Contributions to the scheme are made by means of a salary sacrifice arrangement by which members are required to make an age-related salary sacrifice of between 0% and 5% of Pensionable Salary and the employer contributes 105% of the member's salary sacrifice. In addition, the employer makes age-related supplementary contributions of between 0% and 10% of Pensionable Salary. Supplementary contributions in respect of members not participating in a salary sacrifice arrangement are between 0% and 5% of Pensionable Salary for employees and between 0% and 10% of Pensionable Salary for the employer.

Life assurance

Life assurance benefits for all eligible staff are funded through the D&TUKPS. A charge is levied on the group for the cost of reassuring the lump sum death in service benefit.

Notes to the Financial Statements

Year ended 31 May 2004

22. Pension commitments (continued)

FRS17 Additional disclosures

The following disclosures are made in accordance with FRS17 'Retirement benefits', an accounting standard that is not required to be adopted in full before the year ending 31 May 2006. The disclosures in this note are based on informal valuations at 31 May 2002, 2003 and 2004 completed by a qualified independent actuary, Hewitt Bacon & Woodrow Limited.

Main financial assumptions

The principal assumptions used by the independent qualified actuaries for FRS17 purposes were:

	31 May 2004 % p.a.	31 May 2003 % p.a.	31 May 2002 % p.a.
Inflation	3.0	2.5	2.8
Rate of long-term increase in salaries	4.5	4.0	4.3
Rate of increase of pensions in payment	2.8	2.5	2.7
Discount rate for scheme liabilities	5.8	5.1	6.0

Expected returns on assets

The assests in the scheme and the expected rates of return were:

	Long-term rate of return expected at 31 May 2004 % p.a.	Value at 31 May 2004 £m	Long-term rate of return expected at 31 May 2003 % p.a.	Value at 31 May 2003 £m	Long-term rate of return expected at 31 May 2002 % p.a.	Value at 31 May 2002 £m
Equities	8.1	234.8	7.4	199.3	7.8	152.0
Fixed Interest Gilts	5.0	4.0	4.4	6.4	-	-
Total market value of assets		**238.8**		**205.7**		**152.0**

Notes to the Financial Statements

Year ended 31 May 2004

22. Pension commitments (continued)

The following amounts would have been recognised in the financial statements under the requirements of FRS17.

Amount charged to operating profit

	2004 £m	2003 £m
Current service cost	12.9	10.4
Past service cost	0.1	0.2
Total operating charge	**13.0**	**10.6**

Amount credited to other finance income

	2004 £m	2003 £m
Expected return on pension scheme assets	15.1	16.8
Interest on pension scheme liabilities	(19.4)	(17.2)
Net return	**(4.3)**	**(0.4)**

Statement of total recognised gains and losses

	2004 £m	2003 £m
Actual return less expected return on pension scheme assets	14.9	(46.9)
Experience gains arising on the scheme liabilities	2.3	1.2
Changes in assumptions underlying the present value of the scheme liabilities	20.9	(51.1)
Actuarial valuation recognised in statement of total recognised gains and losses	**38.1**	**(96.8)**

Balance sheet

	2004 £m	2003 £m	2002 £m
Total market value of assets	238.8	205.7	152.0
Present value of scheme liabilities	381.2	376.9	197.8
Deficit in scheme	(142.4)	(171.2)	(45.8)
Related deferred tax asset	8.4	10.1	2.7
Net pension liability	**(134.0)**	**(161.1)**	**(43.1)**

Notes to the Financial Statements

Year ended 31 May 2004

22. Pension commitments (continued)

Movement in deficit during the year

	2004 £m	2003 £m
Deficit in scheme at beginning of the year	(171.2)	(45.8)
Deficit acquired on 1 August 2002	-	(22.1)
Current service cost	(12.9)	(10.4)
Contributions (including expenses)	8.0	4.5
Past service costs	(0.1)	(0.2)
Other finance cost	(4.3)	(0.4)
Actuarial gain/(loss)	38.1	(96.8)
Deficit in scheme at end of year	**(142.4)**	**(171.2)**

History of experience gains and losses

	2004 £m	2003 £m
Difference between expected and actual return on scheme assets:		
• Amount	14.9	(46.9)
• Percentage of scheme assets	6%	23%
Experience gains on scheme liabilities:		
• Amount	2.3	1.2
• Percentage of the present value of the scheme liabilities	1%	0%
Experience gains/(losses) on scheme liabilities:		
• Amount	38.1	(96.8)
• Percentage of the present value of the scheme liabilities	10%	26%

Notes to the Financial Statements

Year ended 31 May 2004

23. Financial instruments

Deloitte & Touche LLP's policy is to prudently manage the funds or borrowings of the group, and not to speculate in money market or foreign exchange dealings.

Short-term debtors and creditors, as defined in Financial Reporting Standard 13, 'Derivatives and other financial instruments' ('FRS13'), have been omitted from all financial instrument disclosures, other than those relating to currency risk. As permitted by FRS13, the disclosures relate to the group only and do not include separate disclosure in respect of Deloitte & Touche LLP.

Interest rate risk

The financial assets comprise cash deposits of £43.4m and fixed asset investments of £56.6m. The cash deposits comprise deposits placed on money market at call, 7 day and monthly rates.

The financial liabilities comprise sterling bank loans and overdrafts of £76.4m all at floating rates of interest.

Liquidity risk

Financial risk is managed by ensuring sufficient liquidity is available to meet foreseeable needs.

During the year, borrowing facilities of £270m were negotiated with two leading international banks. These facilities are due to expire between October 2004 and March 2005 and renewal of the facilities, based on forecast requirements, will be negotiated with expected renewal at satisfactory levels.

The maturity profile of the financial liabilities at 31 May 2004 was as follows:

	2004 £m	2003 £m
Facilities	**270.0**	**251.0**
Financial liabilities maturing in one year or less, or on demand:		
Bank loans and overdrafts	**76.4**	**94.6**

Undrawn committed borrowing facilities available at 31 May 2004 are £193.6m (2003: £156.4m).

Foreign currency risk

The group's income and expenditure is primarily in sterling. However, some fees and costs are denominated in foreign currencies, as are the transactions of the European subsidiaries and transactions with Deloitte Touche Tohmatsu member firms.

The group does not hedge or enter into forward or derivative transactions and is exposed to translation and transaction foreign currency exchange risk.

The group had the following net foreign currency denominated monetary assets and liabilities:

	2004 £m	2003 £m
US Dollar	24.6	31.0
Euro	5.4	(1.5)
Swiss Franc	0.3	0.2
	30.3	**29.7**

Notes to the Financial Statements

Year ended 31 May 2004

23. Financial instruments (continued)

Fair value of financial assets and financial liabilities

Set out below is a comparison of fair values and book values of all the group financial instruments by category.

Fair values for investments denominated in US dollars have been calculated at year end exchange rates. Fair values for cash and debt are equal to book value owing to the short maturity of these instruments.

	2004 Book value £m	2004 Fair value £m	2003 Book value £m	2003 Fair value £m
Cash at bank and in hand	43.4	43.4	21.3	21.3
Investments	56.6	56.6	68.7	68.7
Short-term borrowings	(76.4)	(76.4)	(94.6)	(94.6)

24. Related party transactions

Deloitte & Touche LLP has relied upon the exemption given in Financial Reporting Standard 8 ‘Related party disclosures’ not to disclose transactions between itself and its subsidiary undertakings.

Partners

Tamsin Abbey
John Adam
Chris Adams
Ralph Adams
Kevin Ahern
Neil Allcock
Peter Allred
Steve Almond
Iraj Amiri
Debbie Anthony
John Antoniazzi
Carol Arrowsmith
Alexander Arterton
Keith Ashworth
Carol Atha
Mark Atkinson
George Atterbury
Shaun Austin
Penny Avis
Terry Awan

Mark Baines
James Baird
Michael Baird
Adrian Balcombe
Richard Baldwin
Andrew Ball
Rick Ballard
Jolyon Barker
David Barnes
Stuart Barnett
Sue Barratt
Aileen Barry
Ian Barton
Richard Barton
Richard Baxter
Allan Beardsworth
Neil Beaton
Mark Beddy
David Beech
Sean Beech
Richard Bell
David Bell
Mike Bell
David Belward
Joanne Bentley
Mark Bezant
Bharat Bhayani
Robin Binks
John Binns
John Bird
Aidan Birkett
Richard Blackwell
Zahir Bokhari
Gerry Boon
Clive Bouch
Tony Bowers
Gerry Boyle
Marcus Boyle
Charles Bradbrook
Rob Bradbury
Neville Bramwell
Greg Branch
Steve Brandon
Ken Bransom
Pat Breen

Louise Brett
Caroline Britton
Chris Brough
David Brown
Ed Brown
Ian Brown
Ian Brown
Robert Bryant
Richard Buck
Andrew Buckle
Gavin Bullock
Glyn Bunting
Sandra Burling
Elizabeth Burnie
Andrew Burns
Tony Butcher
Alex Butterworth

Cindy Cahill
Donald Campbell
George Campion
Nic Carrington
Jeremy Casson
Ross Cattell
David Caukill
Surrinder Chahl
Sabri Challah
Alison Chapman
Stephen Charge
Rajeev Chopra
Stephen Christie
Le Roux Cilliers
Andrew Clark
Ian Clark
Harold Clarke
Jeff Clarke
Paul Clarke
David Claxton
John Clennett
David Cobb
Emma Codd
Tony Cohen
Robin Cohen
Bill Cohen
Neil Coles
Russell Collins
Vince Colvin
Greg Comninos
Sue Conder
Joe Conneely
John Connolly
Tony Cooper
Michael Corrigan
Stuart Counsell
Richard Crane
David Crawford
Simon Creedy-Smith
Kevin Cresswell
David Cruickshank
Neil Cruickshanks
John Cullinane
Greg Culshaw
Jane Curran
Andrew Curwen

Andrew Daley
Nick Dargan
Nigel Davey
John Davidson
Mark Davies
Tim Davis
Tim Davy
Bill Dawson
Dries de Vaal
Stephen Dickens
Christopher Digby
Mike Dobby
Bill Dodwell
Patrick Doherty
Paul Dolan
Mark Doleman
Gordon Dootson
Cahal Dowds
Andrew Downes
Tom Downing
Bob Doye
Malcolm Drysdale
Eliza Dungworth
David Dutt

Martin Eadon
David Eagle
Rose Edmunds
Nick Edwards
Richard Edwards
Maghsoud Einollahi
George Elkington
Roger Esler
David Evans
Hugh Evans
Nick Evans
John Everett

Douglas Farish
Tony Farnworth
Paul Feechan
Alan Fendall
Chris Fitzgibbon
Mark FitzPatrick
Linda Foster
John Foster Thomas
John Fotheringham
Pesh Framjee
Paul Franek
Norbert Frank
Sharon Fraser
Nicola Freeman

Rick Garrard
Colin Gibson
Lis Gibson
Richard Gilroy
David Goldsmith
Mark Goodey
Andrew Gordon
Bruce Gordon
Andrew Goulden
Jon Graham
Peter Gratton
Vimi Grewal
Byron Griffin

Nick Griffin
Debbie Griffiths
Gwyn Griffiths
Stephen Griggs
Andrew Grimstone
Oliver Grundy

Martin Hagen
Ron Haigh
David Hall
Fred Hallsworth
David Halstead
Gordon Hamilton
Gavin Hamilton-Deeley
Richard Hammell
Simon Hammett
John Hammond
Heather Hancock
Kendra Hann
Edward Hanson
John Hardy
Charles Hardy
Deepak Haria
Andy Harris
Neil Harris
Peter Hartill
Mike Hartley
Chris Harvey
Orlando Harvey Wood
Humphry Hatton
Julian Hawkins
Alison Haynes
Laurence Hedditch
Derek Henderson
Stuart Henderson
John Henshall
Mary Hensher
Warwick Hensley
William Higgins
Paula Higgleton
Mark Hill
Andrew Hillman
Carol Hindle
David Hindley
Jonathan Hinton
Peter Hipperson
Andy Hodge
Tony Hodgson
Robert Hodkinson
Peter Holmes
David Holt
Ian Hook
Richard Houston
Neville Howard
Nigel Howes
Andrea Howl
Colin Hudson
Neil Hudson
Carl Hughes
David Hughes
David Hume
Lawrence Hutter

Frank Ilett
Will Inglis

Alastair James
Ross James
Steve James
Ian Jamieson
Martin Jenkins
Nick Johnson
Nigel Johnson
Philip Johnson
Duncan Johnston
Andrew Jones
Dan Jones
Martyn Jones
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