

Independent auditors' report to the members of PricewaterhouseCoopers LLP

We have audited the financial statements that comprise the income statement, balance sheets, cash flow statements, statements of changes in members' equity, and the related notes numbered 1 to 25. The financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the LLP's members, as a body, in accordance with the Companies Act 1985, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters that 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 LLP and the LLP's members as a body for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the members and auditors

The members' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the members' responsibilities statement in the Members' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Companies Act 1985, as applied to limited liability partnerships. We also report to you if, in our opinion, the

LLP has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information is set out in the sections headed Chairman's statement, Clients, People, Sustainability and community, Governance, Financial and Network. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that 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.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of affairs of the LLP and the Group as at 30 June 2009 and of the profit of the Group for the year then ended
- The financial statements have been properly prepared in accordance with the Companies Act 1985, as applied to limited liability partnerships.

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP
Chartered Accountants and
Registered Auditors, London

7 August 2009

Consolidated income statement for the year ended 30 June 2009

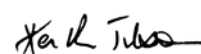
	Notes	2009 £m	2008 £m	Increase (Decrease)
Turnover				
Assurance		861	866	(1%)
Tax		650	675	(4%)
Advisory		737	703	5%
	2	2,248	2,244	-
Expenses and disbursements on client assignments		(267)	(278)	
Net revenue		1,981	1,966	1%
Staff costs	3	(974)	(956)	2%
Depreciation, amortisation and impairment	4	(26)	(29)	
Other operating charges	4	(299)	(316)	(5%)
Operating profit		682	665	3%
Finance income	5	90	98	
Finance expense	5	(84)	(77)	
Profit on ordinary activities before taxation		688	686	
Tax expense in corporate subsidiaries	6	(8)	(11)	
Profit for the financial year before members' profit shares		680	675	1%
Profit attributable to minority interests	18	13	11	
Profit available for division among members	18	667	664	
Profit for the financial year		680	675	

Balance sheets at 30 June 2009

	Notes	Group		LLP	
		2009 £m	2008 £m	2009 £m	2008 £m
Non-current assets					
Property, plant and equipment	8	67	68	2	3
Intangible assets	9	22	9	7	3
Goodwill	9	17	–	1	–
Investments	10	3	3	28	11
Retirement benefit assets	16	91	62	91	62
Deferred tax assets	17	4	–	–	–
		204	142	129	79
Current assets					
Trade and other receivables	11	605	618	523	590
Cash and cash equivalents	12	346	333	335	323
		951	951	858	913
Total assets		1,155	1,093	987	992
Current liabilities					
Trade and other payables	13	(435)	(419)	(331)	(351)
Short-term debt	12	(6)	–	–	–
Provisions	14	(8)	(9)	(6)	(8)
Members' capital	15	(14)	(6)	(14)	(6)
		(463)	(434)	(351)	(365)
Non-current liabilities					
Provisions	14	(48)	(39)	(37)	(32)
Deferred tax liabilities	17	–	(1)	–	–
Members' capital	15	(130)	(110)	(130)	(110)
Other non-current liabilities	13	(17)	(1)	–	–
		(195)	(151)	(167)	(142)
Total liabilities		(658)	(585)	(518)	(507)
Net assets		497	508	469	485
Members' equity					
Reserves	18	479	499	469	485
Minority interests	18	18	9	–	–
Total members' equity		497	508	469	485
Total members' interests					
Members' capital		144	116	144	116
Reserves		479	499	469	485
Amounts due from members (included in trade and other receivables)		(18)	(19)	–	–
Total members' interests	18	605	596	613	601

The financial statements on pages 35 to 65 were authorised for issue and signed on 7 August 2009 on behalf of the members of PricewaterhouseCoopers LLP by:


Ian Powell


Keith Tilson

Cash flow statements for the year ended 30 June 2009

	Group		LLP	
	2009 £m	2008 £m	2009 £m	2008 £m
Cash flows from operating activities				
Cash generated from operations (note 22)	718	653	669	601
Tax paid by corporate subsidiaries	(32)	(33)	-	-
Net cash inflow from operating activities	686	620	669	601
Cash flows from investing activities				
Purchase of property, plant and equipment	(18)	(19)	-	-
Purchase of intangible assets	(9)	(6)	(3)	(3)
Purchase of other businesses (net of cash acquired)	(17)	-	(2)	-
Proceeds from sale of property, plant and equipment	2	1	-	-
Proceeds from sale of other businesses	1	15	-	2
Purchase of investments	-	-	(12)	-
Proceeds from sale of investments	2	-	2	-
Interest received	7	13	7	13
Net cash (outflow) inflow from investing activities	(32)	4	(8)	12
Cash flows from financing activities				
Distributions to members	(681)	(676)	(677)	(653)
Distributions to minority interests	(11)	(7)	-	-
Interest paid	(1)	(1)	-	-
Compensating payment by members	18	18	-	-
Capital contributions by members	45	15	45	15
Capital repayments to members	(17)	(9)	(17)	(9)
Net cash outflow from financing activities	(647)	(660)	(649)	(647)
Net increase (decrease) in cash and cash equivalents	7	(36)	12	(34)
Cash and cash equivalents at beginning of year	333	369	323	357
Cash and cash equivalents at end of year (note 12)	340	333	335	323
Cash and cash equivalents comprise:				
Cash at bank and short-term deposits	346	333	335	323
Short-term debt	(6)	-	-	-
Cash and cash equivalents at end of year (note 12)	340	333	335	323

Statements of changes in members' equity for the year ended 30 June 2009

	Group		LLP	
	Available for division among members £m	Attributable to minority interests £m	Total £m	Total £m
Balance at beginning of prior year	511	5	516	495
Total recognised income – profit for the financial year	664	11	675	643
Allocated profit in financial year	(676)	(7)	(683)	(653)
Balance at beginning of year	499	9	508	485
Total recognised income – profit for the financial year	667	13	680	661
Movement in cash flow hedges	(6)	-	(6)	-
Minority interests on acquisition	-	7	7	-
Allocated profit in financial year	(681)	(11)	(692)	(677)
Balance at end of year	479	18	497	469

1 Accounting policies

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

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations, as adopted by the European Union and issued and effective as at 30 June 2009, and with those parts of the Companies Act 1985 applicable to limited liability partnerships reporting under IFRS.

The financial statements have been prepared under the historical cost convention, except as otherwise described in these accounting policies.

The principal accounting policies are unchanged compared with the year ended 30 June 2008.

During the period, the Group adopted the following changes to IFRS which had no impact on its results or financial position:

- IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' which provides general guidance on the amount of a pension surplus that may be recognised as an asset.

Future requirements

The following IFRS and IFRIC interpretations have been issued by the IASB and are likely to affect future financial statements of the Group, but their impact is not expected to be material:

- IFRS 8 'Operating segments' is effective from the accounting period to June 2010. This standard requires the use of a 'management approach' to segment reporting, under which information is presented on the same basis as that used for internal reporting purposes
- A revised IAS 1 'Presentation of financial statements' is effective from the accounting period to June 2010. This revised standard affects the presentation of changes in equity and introduces a statement of comprehensive income
- A revised IAS 27 'Consolidated and separate financial statements' is effective from the accounting period to June 2010. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss
- A revised IFRS 3 'Business Combinations' is effective from the accounting period to June 2010. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of turnover, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates.

The estimates and assumptions that could have a significant effect upon the Group's financial results relate to provisions in respect of client claims, onerous property costs, receivables impairment and the fair value of unbilled turnover on client assignments. In addition, the net deficit or surplus disclosed for each defined benefit pension scheme is sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate and mortality. Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued. Further details of estimates and assumptions are set out in each of the relevant accounting policies and detailed notes to the financial statements.

1 Accounting policies continued

Consolidation

The financial statements consolidate the results and financial position of PricewaterhouseCoopers LLP and all its subsidiary undertakings (the 'Group').

Businesses acquired or disposed of during the year are accounted for using purchase method principles from, or up to, the date control passed.

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

As permitted by section 230 of the Companies Act 1985, as applied to LLPs, no separate income statement is presented for the LLP.

Turnover

Turnover represents amounts recoverable from clients for professional services provided during the year, excluding Value Added Tax.

Turnover reflects the fair value of the services provided on each client assignment, including expenses and disbursements, based on the stage of completion of each assignment as at the balance sheet date.

Turnover in respect of contingent fee assignments (over and above any agreed minimum fee) is only recognised when the contingent event occurs and collectability of the fee is assured.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Freehold property	50 years
Leasehold property	50 years or shorter leasehold term
Fittings and furnishings	10–20 years or shorter leasehold term
Equipment	3–5 years

Repairs and maintenance costs arising on property, plant and equipment are charged to the income statement as incurred.

Intangible assets

Computer software – costs directly associated with the development of software for internal use in the business, that will generate economic benefits exceeding one year are capitalised as intangible assets. Intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is provided on a straight line basis over the expected useful economic lives of three to five years.

Customer relationships – intangible assets are recognised on the acquisition of a business in respect of customer relationships, and amortised on a straight line basis over the expected useful economic life of the relationship, typically over three to ten years.

Goodwill – on the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such assets, liabilities and contingent liabilities acquired. Goodwill arising on acquisitions is capitalised with an indefinite useful life.

1 Accounting policies continued

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation and goodwill are reviewed for impairment, both annually and whenever changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Leases

Operating lease rentals, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease.

The interest element of finance lease obligations is allocated to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Obligations related to finance leases in respect of future periods, net of finance charges, are included as appropriate under current or non-current liabilities.

Provisions

Provision is made for the present value of onerous lease commitments in respect of surplus property, after allowance for anticipated sublet rental income, and to restore premises to their original condition upon vacating them where such an obligation exists under the lease. Present value is based on discounted future cash flows, with the unwinding of that discount recognised as an expense within finance charges.

In common with comparable professional practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims. Provision is made in the financial statements for all claims where costs are likely to be incurred and represents the cost of defending and concluding claims. The Group carries professional indemnity insurance and no separate disclosure is made of the cost of claims covered by insurance, as to do so could seriously prejudice the position of the Group.

Retirement benefits

The Group operates both defined contribution and defined benefit pension schemes for its staff.

The Group's contributions to defined contribution schemes are charged to the income statement as they fall due.

For the defined benefit schemes, the net deficit or surplus in each scheme is calculated in accordance with IAS 19, based on the present value of the defined benefit obligation at the balance sheet date, less the fair value of the scheme assets.

The Group's income statement includes the current service cost of providing pension benefits, the expected return on scheme assets and the interest cost on scheme obligations. Past service costs arising from changes to scheme benefits are also recognised immediately in the income statement, unless the benefits are conditional on the employees remaining in service for a specified period of time, in which case the past service costs are amortised over that vesting period.

Actuarial gains and losses arising from experience adjustments and changes to actuarial assumptions are not recognised for each scheme unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of the scheme assets. In this case the excess is charged or credited to the income statement over the expected average remaining service lives of the employees participating in the scheme.

1 Accounting policies continued

Termination benefits

The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees before their normal retirement date or providing termination benefits as a result of an offer made to encourage voluntary severance.

Members' pensions and annuities

Members of the LLP are required to make their own provision for pensions and do so mainly through contributions to personal pension policies and other appropriate investments. Members, in their capacity as partners in the United Kingdom Partnership, have agreed to pay pension annuities to certain former partners of that partnership and the widows and dependants of deceased former partners. These annuities are personal obligations of the members and are not obligations of, or guaranteed by, the LLP or its subsidiary undertakings. Accordingly, these annuities are not dealt with in these financial statements.

The Group accounts consolidate the provision made for the annuities payable by certain subsidiary undertakings to the minority interest partners in those undertakings. The provision reflects the present value of the obligations arising from service to date. Any changes in the provision for these annuities arising from changes in entitlements or in financial estimates and actuarial assumptions are recognised in the income statement. The unwinding of discount is presented in the income statement as a financial expense. When the entitled individuals retire and their annuities come into payment, these payments will be shown as a movement against the provision.

Allocation of profits and drawings

During the year the Executive Board sets the level of interim profit allocations and members' monthly drawings after considering the working capital needs of the Group. To the extent that interim profit allocations exceed drawings, then the excess profit is included in the balance sheet under trade and other payables. Where drawings exceed the allocated profits, then the excess is included in trade and other receivables. The same treatment is used for members who retire during the year.

The final allocation of profits and distribution to members is made after assessing each member's contribution for the year and after the annual financial statements are approved. Unallocated profits are included in Reserves within Members' equity.

Foreign currencies

Transactions 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 are translated using the rates of exchange at the balance sheet date and the gains and losses on translation are included in the income statement.

The individual financial statements of the Group's subsidiary undertakings are presented in the currency of the primary economic environment in which they operate (their functional currency). For the purpose of the consolidated financial statements, the results and financial position of each subsidiary undertaking are expressed in pound sterling, which is the functional currency of the LLP, and the presentation currency for the consolidated financial statements.

The assets and liabilities of the Group's foreign undertakings are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on consolidation on the retranslation of foreign undertakings, if any, are classified as equity and transferred to reserves.

1 Accounting policies continued

Financial instruments

Financial instruments are initially recognised at fair value unless otherwise stated. Fair value is the amount at which such an instrument could be exchanged in an arm's length transaction between informed and willing parties.

Investments in subsidiary undertakings are stated at fair value, which is cost less impairment.

Unquoted investments with no reliable external measure of fair value are designated as available-for-sale and carried at a fair value, which is cost less impairment. Income from these investments is recognised in the income statement when entitlement is established.

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade receivables are carried at fair value, which is represented by their invoiced value less any subsequent reductions through provisions for impairment. Provisions for impairment represent an allowance for doubtful debts that is estimated, based upon current observable data and historical trends.

Members' capital which is repayable on members' retirement is classified as a liability.

Derivatives, such as forward foreign-exchange contracts, are held or issued in order to manage the Group's currency and interest rate risks arising from its operations and sources of finance. Hedge accounting is applied to forward foreign currency contracts where they meet the relevant criteria.

Changes in the fair value of financial instruments, other than hedge-effective derivatives transactions, are recognised in the income statement. Changes in the fair value of derivative transactions that form part of effective cash flow hedge relationships are recognised directly in reserves and subsequently recognised in the income statement in the same accounting period as the underlying hedged item.

Financial guarantees

Financial guarantees are initially recognised at fair value and subsequently measured at the higher of their initial fair value, less amounts recognised in the income statement, and the best estimate of the amount that will be required to settle the obligation.

Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements, but are disclosed unless they are remote.

Taxation

Income tax payable on the profits of the LLP and other LLPs consolidated within the Group is solely the personal liability of the individual members of those LLPs and consequently is not dealt with in these financial statements.

Certain companies dealt with in these consolidated financial statements are subject to corporation tax based on their profits for the financial year.

Deferred tax in relation to these companies is recognised, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is measured at the tax rates that are substantively enacted at the balance sheet date and expected to apply in the periods in which the temporary differences reverse.

2 Segment reporting

The Group is primarily organised and managed through three Line of Service business segments: Assurance, Tax and Advisory. During the year we transferred the management of certain business lines from Assurance to Advisory. The 2008 comparatives for Assurance and Advisory in respect of turnover, operating profit, inter-segment turnover, net assets, average number of employees and average number of members have been restated accordingly.

Operating costs that are specifically attributable are allocated directly to individual segments. Inter-segment turnover arises when specialists work across Lines of Service and is disclosed on a net basis. The majority of the Group's central costs are allocated under bases within documented service level agreements. Other central costs are apportioned having regard to the appropriate cost driver. Finance income, finance expense and tax expense in corporate subsidiaries are unallocated.

	2009					2008 Restated				
	Assurance £m	Tax £m	Advisory £m	Unallocated £m	Total £m	Assurance £m	Tax £m	Advisory £m	Unallocated £m	Total £m
Turnover										
Turnover	861	650	737	–	2,248	866	675	703	–	2,244
Inter-segment turnover	(35)	31	4	–	–	(34)	33	1	–	–
	826	681	741	–	2,248	832	708	704	–	2,244
Turnover increase (decrease)	(1%)	(4%)	5%			1%	8%	13%		7%
Operating profit										
Operating profit	203	232	247	–	682	179	248	238	–	665
Operating profit %	25%	34%	33%			22%	35%	34%		
Net assets										
Segment assets	241	246	229	439	1,155	282	249	167	395	1,093
Segment liabilities	(248)	(179)	(190)	(41)	(658)	(244)	(183)	(141)	(17)	(585)
	(7)	67	39	398	497	38	66	26	378	508
Other segment items										
Depreciation, amortisation and impairment	(14)	(6)	(6)	–	(26)	(15)	(8)	(6)	–	(29)
Capital expenditure	13	7	7	–	27	13	7	5	–	25

Assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Allocated segment assets include property, plant and equipment, intangible assets and trade and other receivables. Allocated segment liabilities include trade and other payables and provisions. Unallocated items are cash and cash equivalents, corporation and deferred tax balances and retirement benefit assets and obligations. Capital expenditure comprises additions to property, plant and equipment and intangible assets.

For the years under review, the Group's turnover derives principally from its operations in the UK and Channel Islands. Accordingly, the Group has presented no secondary segment analysis. Further analysis of turnover by industry, client and type of work is provided in the Clients section of this annual report.

3 Staff costs

Group

	2009 £m	2008 £m
Salaries, including termination benefits of £18m (2008: £4m)	835	816
Social security costs	83	87
Pension costs (note 16)		
– defined contribution schemes	38	34
– current service cost of defined benefit pension schemes	18	19
	974	956

The average monthly number of employees during the year was:

	2009 Number	Restated 2008 Number
Assurance	6,316	6,340
Tax	3,465	3,703
Advisory	3,525	3,211
Shared Services and National Functions	1,894	1,935
	15,200	15,189

LLP

There were no employees in the LLP during the year (2008: nil).

4 Other operating costs

Depreciation, amortisation and impairment

	2009 £m	2008 £m
Depreciation of owned assets (note 8)	22	21
Amortisation of owned assets (note 9)	4	8
	26	29

4 Other operating costs continued

Other operating charges

Operating profit is stated before finance costs and tax expense in corporate subsidiaries. Amounts in other operating charges include:

	2009 £m	2008 £m
Operating lease rentals:		
– land and buildings	69	68
– plant and machinery	12	13
	81	81

During the prior year the trust administration business of PricewaterhouseCoopers CI LLP was disposed of for a profit of £12m and the gain included in other operating charges.

Total fees and expenses payable to the auditors Horwath Clark Whitehill LLP for the year ended 30 June 2009 were £0.4m (2008: £0.4m). Of these, audit fees relating to the LLP and Group consolidation were £0.2m (2008: £0.2m), and other services in respect of the audit of subsidiary companies and other statutory requirements were £0.2m (2008: £0.2m).

5 Finance income and expense

	2009 £m	2008 £m
Finance income		
Interest receivable	7	13
Expected return on pension scheme assets (note 16)	83	85
	90	98
Finance expense		
Interest payable	(1)	(1)
Unwinding of discount on provisions (note 14)	(1)	(1)
Interest cost on pension scheme obligations (note 16)	(82)	(75)
	(84)	(77)
Net finance income	6	21

6 Tax expense in corporate subsidiaries

The financial statements do not incorporate any charge or liability for taxation on the results of the LLPs consolidated in the Group, as the relevant tax is the responsibility of individual members.

The charge to tax, which arises in the corporate subsidiaries included within these financial statements, is:

	2009 £m	2008 £m
Current tax on income of corporate subsidiaries for the period	31	33
Compensating payment due from LLP members	(18)	(18)
Deferred tax movements (note 17)	(5)	(4)
Tax expense in corporate subsidiaries	8	11

The following table reconciles the tax expense at the standard rate to the actual tax expense:

	2009 £m	2008 £m
Profit on ordinary activities of corporate entities before tax	11	13
Tax expense at UK standard rate of 28% (2008: 29.5%)	3	4
Impact of items not deductible for tax purposes	6	7
Adjustment to tax charge in respect of prior years	(1)	–
	8	11

In accordance with UK transfer pricing legislation, the UK corporation tax expense in subsidiary undertakings includes an additional amount in respect of the taxable profits of those subsidiaries. The cost of this is offset by a compensating payment made by LLP members direct to the relevant subsidiaries.

7 Members' profit shares

The basis on which profits are shared among members is set out in note 1.

The average monthly number of members during the year was:

	2009 Number	Restated 2008 Number
Assurance	333	310
Tax	258	264
Advisory	252	242
Other	15	17
	858	833
Members on secondment overseas	21	20
	879	853

During the year, 21 members (2008: 20 members) were on secondment overseas. Excluding these members the average profit per member was £777,000 (2008: £797,000). The amount invested by all members in the business, represented by total members' interests at 30 June 2009, divided by the number of members at that date, amounts to an average investment per member of £688,000 (2008: £700,000).

The estimated profit attributable to the Chairman who held office during the year, the member with the largest entitlement to profit, is £3.3m (2008: actual and estimated profit is £2.9m and £3.0m respectively).

The investment in the business at 30 June 2009 of the Chairman who held office during the year, represented by his estimated share of total members' interests was £2.1m (2008: actual and estimated investment: £2.6m and £2.7m respectively).

8 Property, plant and equipment

Group

	Freehold property £m	Leasehold property £m	Fittings, furniture and equipment £m	Total £m
Cost				
At beginning of prior year	6	20	149	175
Additions	–	–	19	19
Disposals	–	–	(29)	(29)
At end of prior year	6	20	139	165
Additions	–	–	18	18
Acquisition of subsidiaries	–	–	5	5
Disposals	–	–	(23)	(23)
At end of year	6	20	139	165
Accumulated depreciation				
At beginning of prior year	1	15	87	103
Depreciation charge for the year	–	1	20	21
Disposals	–	–	(27)	(27)
At end of prior year	1	16	80	97
Depreciation charge for the year	–	1	21	22
Disposals	–	–	(21)	(21)
At end of year	1	17	80	98
Net book amount at end of prior year	5	4	59	68
Net book amount at end of year	5	3	59	67

Group capital commitments contracted but not provided for at 30 June 2009 amounted to £3m (2008: £2m); there were no capital commitments in the LLP (2008: nil). Included in property, plant and equipment were £11m (2008: £3m) of assets under construction.

LLP

	Leasehold property £m	Fittings, furniture and equipment £m	Total £m
Cost			
At beginning of prior year	17	1	18
Disposals in prior year	–	(1)	(1)
At end of prior year and end of year	17	–	17
Accumulated depreciation			
At beginning of prior year	13	1	14
Depreciation charge for the year	1	–	1
Disposals	–	(1)	(1)
At end of prior year	14	–	14
Depreciation charge for the year	1	–	1
At end of year	15	–	15
Net book amount at end of prior year	3	–	3
Net book amount at end of year	2	–	2

9 Intangible assets and goodwill

Group	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	–	51	51	4
Additions	–	6	6	–
Disposals	–	(3)	(3)	–
At end of prior year	–	54	54	4
Additions	–	9	9	–
Acquisition of subsidiaries	8	–	8	17
Disposals	–	(13)	(13)	–
At end of year	8	50	58	21
Accumulated amortisation				
At beginning of prior year	–	39	39	4
Amortisation charge for the year	–	8	8	–
Disposals	–	(2)	(2)	–
At end of prior year	–	45	45	4
Amortisation charge for the year	–	4	4	–
Disposals	–	(13)	(13)	–
At end of year	–	36	36	4
Net book amount at end of prior year	–	9	9	–
Net book amount at end of year	8	14	22	17
LLP				
	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning and end of prior year	–	3	3	–
Additions	1	3	4	1
At end of year	1	6	7	1
Accumulated amortisation				
At beginning and end of year	–	–	–	–
Net book amount at end of prior year	–	3	3	–
Net book amount at end of year	1	6	7	1

10 Investments

	Group			LLP
	Other investments £m	Other investments £m	Investments in subsidiary undertakings £m	Total £m
Cost				
At beginning of year	5	5	8	13
Acquisitions	–	–	17	17
Disposals	(2)	(2)	–	(2)
At end of year	3	3	25	28
Accumulated impairment				
At beginning of year	2	2	–	2
Disposals	(2)	(2)	–	(2)
At end of year	–	–	–	–
Net book amount at end of prior year	3	3	8	11
Net book amount at end of year	3	3	25	28

During the year the LLP acquired a 100% interest in the share capital of Sustainable Finance Limited and a 100% interest in the ordinary shares of PricewaterhouseCoopers (Middle East Group) Limited (note 25).

A list of principal subsidiary undertakings is given in note 23.

Other investments comprise holdings in entities that provide services to member firms of the PricewaterhouseCoopers network around the world. Impairment of other investments represents a significant or prolonged decline in the fair value of relevant assets below their cost.

The book value of investments (Group and LLP) is consistent with fair value in the current and prior year.

11 Trade and other receivables

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
Client receivables	305	351	272	343
Due from overseas PwC member firms	6	6	23	30
Trade receivables	311	357	295	373
Amounts due from members	18	19	–	–
Other receivables	22	13	12	10
Prepayments	40	36	16	17
Unbilled amounts for client work	214	193	200	190
	605	618	523	590

Group and LLP trade receivables are primarily denominated in sterling, except for £58m denominated in US dollars (2008: £11m) and £6m denominated in euros (2008: £18m). The book value of trade and other receivables (Group and LLP) is consistent with fair value in the current and prior year.

The other classes of assets within trade and other receivables are predominantly denominated in sterling and do not contain impaired assets.

11 Trade and other receivables continued

The ageing and credit risk relating to trade receivables is analysed as follows:

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
30 days or less, fully performing	218	229	203	240
31 to 180 days, past due and impaired	98	130	95	134
More than 180 days, past due and impaired	16	13	15	13
Impairment provision	(21)	(15)	(18)	(14)
	311	357	295	373

Movements in the impairment provision on trade receivables were as follows:

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
Balance at beginning of year	(15)	(10)	(14)	(10)
Charged to the income statement	(17)	(11)	(15)	(10)
Released unused during the year	2	3	2	3
Utilised during year	9	3	9	3
Balance at end of year	(21)	(15)	(18)	(14)

12 Cash and cash equivalents

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
Cash at bank and in hand	20	25	9	15
Short-term deposits	326	308	326	308
	346	333	335	323

Cash and cash equivalents and short-term bank debt include the following for the purposes of the cash flow statement.

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
Cash and cash equivalents	346	333	335	323
Short-term debt	(6)	–	–	–
	340	333	335	323

Fair values of cash and cash equivalents approximate to book value owing to the short maturity of these instruments.

13 Trade and other payables

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
Current				
Trade payables	47	33	–	–
Amounts owed to Group undertakings	–	–	223	244
Other payables including taxation and social security (see below)	118	116	32	18
Accruals	199	193	11	14
Progress billings for client work	71	77	65	75
	435	419	331	351

Group and LLP trade and other payables are primarily denominated in sterling, except for £34m denominated in US dollars (2008: £12m) and £13m denominated in euros (2008: £15m). The book value of trade and other payables (Group and LLP) is consistent with fair value in the current and prior year. Current trade payables (Group) include amounts owing to overseas PricewaterhouseCoopers member firms totalling £29m (2008: £18m).

Other current payables including taxation and social security comprise:

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
Corporation tax	15	16	–	–
Other taxes and social security	69	81	–	–
Other payables	34	19	32	18
	118	116	32	18

Other non-current liabilities of £17m (Group) mainly represent capital loans provided by minority interest partners in other subsidiary undertakings consolidated into the Group (2008: £1m).

14 Provisions

	Group				LLP		
	Annuities £m	Client claims £m	Property £m	Total £m	Client claims £m	Property £m	Total £m
Balance at beginning of year	–	20	28	48	20	20	40
Acquisition of subsidiaries	4	–	–	4	–	–	–
Income statement							
– Charge for the year	–	8	9	17	9	6	15
– Released unused during the year	–	(3)	(1)	(4)	(4)	–	(4)
– Unwinding of discount	–	–	1	1	–	1	1
Cash payments	–	(1)	(9)	(10)	(1)	(8)	(9)
Balance at end of year	4	24	28	56	24	19	43

Disclosed as:

	Group 2009 £m	Group 2008 £m	LLP 2009 £m	LLP 2008 £m
Current	8	9	6	8
Non-current	48	39	37	32
	56	48	43	40

14 Provisions continued

Annuities

The provision for annuities reflects the present value of commitments by certain subsidiary undertakings to pay annuities to certain partners in those undertakings (see note 1). These partners are not members of the LLP. The annuities are unfunded.

The principal actuarial assumptions which have been used in calculating the liabilities are an assumed retirement age of 57, with a discount rate of 6.5% and an inflation rate of 2.5% for US dollar denominated annuities. The discount rates are based on the yield on AA corporate bonds.

Client claims provision

The client claims provision is the estimated cost of defending and concluding claims. No separate disclosure is made of the cost of claims covered by insurance, as to do so could seriously prejudice the position of the Group.

Property provisions

Provisions are recognised for obligations under property contracts that are onerous and to restore premises to their original condition upon vacating them, where such an obligation exists under the lease. The provisions are based on estimated future cash flows that have been discounted to present value at an average rate of 6.42% (2008: 6.65%). The onerous lease provision covers residual lease commitments of up to seven years and is after allowance for existing or expected sublet rental income.

15 Members' capital

	Group and LLP £m
Balance at beginning of year	116
Contributions by members	45
Repayments to members	(17)
Balance at end of year	144

Members' capital contributions are determined by the Executive Board, having regard to the working capital needs of the business. Individual members' capital contributions are set by reference to equity unit profit share proportions and are not repayable until the member retires.

Members' capital due to members retiring within one year is shown as current, as it will be repaid within 12 months of the balance sheet date. Total members' capital analysed by repayable dates is as follows:

	Group and LLP £m
Current	14
Non-current	130
	144

The book value of members' capital (Group and LLP) is consistent with fair value in the current and prior year.

16 Retirement benefits

The Group operates both defined contribution and defined benefit pension arrangements for its staff.

Defined contribution schemes

Costs of £38m (2008: £34m) were recognised by the Group in respect of defined contribution schemes. Costs of defined contribution schemes in the LLP were nil (2008: nil).

Defined benefit schemes

The Group's two defined benefit pension schemes are the PwC Pension Fund (PwC PF) and the DH&S Retirement and Death Benefits Plan (DH&S Plan). Both schemes are closed to new employees and the DH&S Plan is closed to new members. Both schemes are funded and their assets are held separately from those of the Group. The liabilities arising in the defined benefit schemes are assessed by independent actuaries, using the projected unit credit method. Both schemes are valued formally every three years, with the last valuation at 31 March 2008.

Certain employees under age 50 who were members of the Coopers & Lybrand Plan, a predecessor partnership pension plan, will become eligible to join the PwC PF at age 50 and receive enhanced benefits accruing over the period between ages 50 and 60. Although the employees are not yet members of the PwC PF, a provision is included in respect of their eligibility for future benefits. The cost of those benefits has been valued in accordance with IAS 19 by the Group's in-house actuaries and included within the obligations of the PwC PF.

Assumptions

The principal actuarial assumptions used were as follows:

	30 June 2009	30 June 2008	30 June 2007
Discount rate	6.15%	6.65%	5.75%
Inflation	3.30%	3.70%	3.15%
Expected rate of increase in salaries	3.30%	4.70%	4.40%
Expected rate of increase in pensions in payment	2.80%	3.00%	2.75%
Expected return on PwC PF assets	6.40%	6.70%	7.05%
Expected return on DH&S Plan assets	6.65%	7.05%	6.70%

At 30 June 2009, the actuarial valuations assume that mortality of scheme members will be in line with nationally published PA92 mortality tables, incorporating projected mortality improvements and adjustment for the medium cohort effect, plus an annual mortality improvement underpin of 1% for males and 0.75% for females. The same tables and assumptions were used in the 30 June 2008 valuation based on an average year of birth calculation. The calculation base has been further refined to actual year of birth for the current financial year. The following table illustrates the actual life expectancy for a current pensioner member aged 65 at 30 June 2009 and a future pensioner member aged 45 at 30 June 2009 (2008 data based on average year of birth):

	2009		2008	
	PwC PF Years	DH&S Plan Years	PwC PF Years	DH&S Plan Years
Life expectancy of current pensioners at age 65				
– male	22.6	22.6	21.5	21.5
– female	25.4	25.4	24.5	24.5
Life expectancy of future pensioners at age 65				
– male	24.6	24.6	23.8	24.4
– female	27.0	27.0	26.6	27.1

16 Retirement benefits continued

Income statement

The amounts recognised in the Group income statement are as follows:

	2009			2008		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
Operating cost						
Current service cost	(14)	(4)	(18)	(15)	(4)	(19)
Finance income and expense						
Expected return on pension scheme assets	53	30	83	57	28	85
Interest on pension scheme defined benefit obligations	(53)	(29)	(82)	(48)	(27)	(75)
	(14)	(3)	(17)	(6)	(3)	(9)

Balance sheet

The amounts recognised in the Group and LLP balance sheets are as follows:

	2009			2008		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
Fair value of scheme assets	735	410	1,145	792	415	1,207
Present value of defined benefit obligations	(806)	(479)	(1,285)	(803)	(446)	(1,249)
Net deficit	(71)	(69)	(140)	(11)	(31)	(42)
Unrecognised actuarial losses	130	101	231	66	38	104
Net retirement benefit asset	59	32	91	55	7	62

An analysis of the movement in the net retirement benefit asset recognised in the balance sheet is as follows:

	2009			2008		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
At beginning of year	55	7	62	38	(7)	31
Current service cost	(14)	(4)	(18)	(15)	(4)	(19)
Finance income	53	30	83	57	28	85
Finance expense	(53)	(29)	(82)	(48)	(27)	(75)
Contributions by employer	18	28	46	23	17	40
At end of year	59	32	91	55	7	62

16 Retirement benefits continued

Scheme assets

The changes in defined benefit scheme assets were as follows:

	2009			2008		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
Fair value of scheme assets at beginning of year	792	415	1,207	813	423	1,236
Expected return on scheme assets	53	30	83	57	28	85
Actuarial loss on assets	(109)	(52)	(161)	(85)	(44)	(129)
Contributions by employer	18	28	46	23	17	40
Benefits paid	(19)	(11)	(30)	(16)	(9)	(25)
Fair value of scheme assets at end of year	735	410	1,145	792	415	1,207

The actual return on scheme assets in the year ended 30 June 2009 was £78m loss (2008: £44m loss).

The expected rate of return on each asset class is as follows:

	30 June 2009	30 June 2008	30 June 2007
Equities	7.90%	8.00%	8.10%
Bonds	6.15%	6.65%	5.75%
Gilts	4.40%	4.83%	5.05%
Cash	4.40%	5.00%	5.75%

The expected return on assets is based on a projection of long-term investment returns for each asset class, with separate analysis now being provided for bonds and gilts. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets. The expected return is stated net of the levy payable to the Pension Protection Fund.

The allocation and market value of assets of the defined benefit schemes were as follows:

	Value at 30 June 2009			Value at 30 June 2008		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
Equities	368	192	560	398	211	609
Bonds	123	148	271	375	141	516
Gilts	230	66	296	–	62	62
Cash	14	4	18	19	1	20
	735	410	1,145	792	415	1,207

16 Retirement benefits continued

Defined benefit obligations

The changes in defined benefit obligations were as follows:

	2009			2008		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
Present value of defined benefit obligation at beginning of year	(803)	(446)	(1,249)	(824)	(470)	(1,294)
Current service cost	(14)	(4)	(18)	(15)	(4)	(19)
Interest cost	(53)	(29)	(82)	(48)	(27)	(75)
Actuarial gain (loss) on obligations	45	(11)	34	68	46	114
Benefits paid	19	11	30	16	9	25
Present value of defined benefit obligation at end of year	(806)	(479)	(1,285)	(803)	(446)	(1,249)

Actuarial gains and losses

The history of actuarial experience adjustments on each of the schemes for the current and four previous financial years is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
PwC PF					
Fair value of scheme assets	735	792	813	735	619
Present value of defined benefit obligation	(806)	(803)	(824)	(794)	(808)
Net deficit	(71)	(11)	(11)	(59)	(189)
Actuarial experience gains (losses) on assets	(109)	(85)	13	46	46
Actuarial gains (losses) on obligations due to experience	(4)	(2)	(1)	7	(13)
DH&S Plan					
Fair value of scheme assets	410	415	423	396	329
Present value of defined benefit obligation	(479)	(446)	(470)	(472)	(438)
Net deficit	(69)	(31)	(47)	(76)	(109)
Actuarial experience gains (losses) on assets	(52)	(44)	(6)	12	24
Actuarial gains (losses) on obligations due to experience	(2)	3	8	(7)	(7)

16 Retirement benefits continued

Sensitivity analysis

The principal actuarial assumptions all have a significant effect on the IAS 19 accounting valuation.

The following table shows the sensitivity of the value of the defined benefit obligations to changes in these assumptions:

	PwC PF Decrease (Increase) £m	DH&S Plan Decrease (Increase) £m	Total £m
0.25% increase to discount rate	35	21	56
0.25% increase to salary increases	(4)	(3)	(7)
0.25% increase to inflation	(21)	(13)	(34)
One year increase to life expectancy	(16)	(9)	(25)

Future cash funding

The most recent full actuarial valuations for both the PwC PF and the DH&S Plan was as at 31 March 2008 under the new Scheme Funding Regulations (Pensions Act 2004), and formed the basis for the update to 30 June 2009 used in these financial statements. The actuaries are Aon Consulting for the PwC PF and Mercer Ltd for the DH&S Plan.

Total cash contributions to the schemes during the year ended 30 June 2009 were £46m, including £28m of additional contributions. As a result of the most recent full actuarial valuations, the Group has agreed to make additional contributions to the schemes totalling £132m to be paid over the next four years, of which £14m has been paid by the year end. The Group expects to pay contributions next year of £63m, including additional contributions of £43m.

17 Deferred tax

Deferred tax is calculated in full under the liability method on temporary differences arising in the corporate subsidiaries using a tax rate of 28% (2008: 28%).

The movements in the Group's deferred tax assets during the year were as follows:

	2009 £m	2008 £m
Balance at beginning and end of year	2	2
Movement in year	2	–
Balance at end of year	4	2

The movements in the Group's deferred tax liabilities during the year were as follows:

	2009 £m	2008 £m
Balance at beginning of year	(3)	(7)
Deferred income and other temporary differences	3	4
Balance at end of year	–	(3)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right to do so and there is an intention to settle the balances on a net basis.

	2009 £m	2008 £m
Net deferred tax liability at beginning of year	(1)	(5)
Movement in year	5	4
Net deferred tax asset (liability) at end of year	4	(1)

There was no deferred tax arising in the LLP.

18 Total members' interests

Group

	Members' interests				Minority interests	
	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m	Reserves £m	Amounts due to (from) minority interests £m
Balance at beginning of prior year	110	511	(19)	602	5	–
Profit for the prior year available for division among members	–	664	–	664	11	–
	110	1,175	(19)	1,266	16	–
Allocated profit	–	(676)	676	–	(7)	7
Introduced by members	15	–	–	15	–	–
Repayment of capital	(9)	–	–	(9)	–	–
Drawings and distributions	–	–	(676)	(676)	–	(7)
Balance at beginning of year	116	499	(19)	596	9	–
Profit for the current year available for division among members	–	667	–	667	13	–
	116	1,166	(19)	1,263	22	–
Allocated profit	–	(681)	681	–	(11)	11
Movement on cash flow hedges	–	(6)	–	(6)	–	–
Minority interests on acquisition	–	–	–	–	7	–
Introduced by members	45	–	–	45	–	–
Repayment of capital	(17)	–	–	(17)	–	–
Drawings and distributions	–	–	(681)	(681)	–	(11)
Other movements	–	–	1	1	–	–
Balance at end of year	144	479	(18)	605	18	–

18 Total members' interests continued

LLP

	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m
Balance at beginning of prior year	110	495	–	605
Profit for the prior year available for division among members	–	643	–	643
	110	1,138	–	1,248
Allocated profit	–	(653)	653	–
Introduced by members	15	–	–	15
Repayment of capital	(9)	–	–	(9)
Drawings and distributions	–	–	(653)	(653)
Balance at beginning of year	116	485	–	601
Profit for the current year available for division among members	–	661	–	661
	116	1,146	–	1,262
Allocated profit	–	(677)	677	–
Introduced by members	45	–	–	45
Repayment of capital	(17)	–	–	(17)
Drawings and distributions	–	–	(677)	(677)
Balance at end of year	144	469	–	613

The basis on which profits are allocated is described in note 1. Information concerning distributions to members and the number of members is given in note 7. Loans and other debts due to members represent allocated profits not yet paid to members and are due within one year. In the event of a winding-up, members' reserves rank after unsecured creditors.

19 Commitments under operating leases

The Group's total commitments under non-cancellable operating leases, together with the obligations by maturity, are as follows:

	2009		2008	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one year	65	6	67	8
1–2 years	63	3	64	3
2–3 years	56	1	62	1
3–4 years	59	–	61	–
4–5 years	54	–	58	–
More than five years	493	–	545	–

Commitments in respect of land and buildings include long-term obligations relating to new office premises at 7 More London.

20 Financial instruments

Financial risk management

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. The Group holds or issues financial instruments in order to finance its operations and manage foreign currency and interest-rate risks arising from its operations and sources of finance. The principal financial instruments, other than derivatives, held or issued by the Group are:

- Trade receivables – The balance represents amounts invoiced in respect of services provided to clients for which payment has not yet been received
- Cash and cash equivalents – The Group manages its cash resources in order to meet daily working capital requirements. Cash and any outstanding debt are kept to a minimum and liquid fund deposits are maximised
- Members' capital – The Group requires members to provide long-term financing, which is classified as a liability and is payable on retirement
- Debt – The Group's policy permits short-term variable rate facilities with a maximum facility maturity of five years and long-term fixed borrowing with a maximum maturity of ten years. The Group had £2m (2008: nil) of long-term borrowings included in Other non-current liabilities in addition to members' capital at 30 June 2009.

The Executive Board determines the treasury policies of the Group. These policies, designed to manage risk, relate to specific risk areas that management wish to control, including liquidity, credit risk, interest rate and foreign currency exposures. No speculative trading is permitted and hedging is undertaken against specific exposures to reduce risk.

Liquidity risk

The Group's most significant treasury exposures relate to liquidity. The Group manages the risk of uncertainty in its funding operations by spreading the maturity profile of its borrowings and deposits. Committed facilities are arranged with minimum headroom of 25% of forecast maximum debt levels. The Group's facilities at 30 June 2009 with six leading international banks total £262m (2008: £138m), with the main Group £250m facility due to expire in June 2012.

Credit risk

Cash deposits and other financial instruments with banks and financial institutions give rise to counterparty risk. The Group manages this counterparty risk by reviewing their credit ratings regularly and limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating. The minimum long-term credit rating of all banks and financial institutions who held the Group's short-term deposits during the year was A+. There were no other significant concentrations of credit risk at the balance sheet date, due to the Group's trade and other receivable balances being spread across a large and unrelated client base.

Interest rate risk

The Group's principal borrowings and any surplus cash balances are held at variable interest rates linked to London interbank offered rate (LIBOR). Borrowings are primarily undertaken in sterling to reflect the composition of the Group's balance sheet, which includes only minor amounts of non-sterling assets and liabilities. A movement in the interest rate of 50 basis points through the year would have resulted in a change in post-tax profit of £1m.

Foreign currency risk

The major part of the Group's income and expenditure is in sterling. However, some fees and costs are denominated in foreign currencies, mainly in connection with professional indemnity insurance and transactions with overseas PricewaterhouseCoopers member firms. The Group seeks to minimise its exposure to fluctuations in exchange rates by hedging against foreign currency exposures. These hedges are designated as cash flow hedges where the necessary criteria are met. The Group's policy is to enter into forward or derivative transactions as soon as economic exposures are recognised.

20 Financial instruments continued

Financial assets and liabilities by category

	2009				2008			
	Loans and receivables £m	Available-for-sale £m	Derivatives used for hedging £m	Other financial liabilities £m	Loans and receivables £m	Available-for-sale £m	Derivatives used for hedging £m	Other financial liabilities £m
Assets								
Trade and other receivables	605	–	–	–	618	–	–	–
Investments	–	3	–	–	–	3	–	–
Cash and cash equivalents	346	–	–	–	333	–	–	–
Liabilities								
Trade and other payables	–	–	–	435	–	–	–	419
Short-term debt	6	–	–	–	–	–	–	–
Members' capital	–	–	–	144	–	–	–	116
Forward foreign-exchange contracts								
Cash flow hedges	–	–	(7)	–	–	–	(1)	–

Interest rate profile of financial assets and financial liabilities

Group and LLP short-term deposits with banks of £326m (2008: £308m) are subject to floating interest rates of less than one year. All other financial assets and financial liabilities are non-interest earning. The Group had interest rate swaps with a notional principal amount of £3m (2008: nil).

Currency profile of financial assets and liabilities

The major part of the Group's income and expenditure is in sterling. After taking into account forward contracts and known US dollar and euro denominated assets and liabilities, the Group had net US dollar denominated liabilities at 30 June 2009 of £1m (2008: net denominated assets of £5m) and net euro denominated liabilities at 30 June 2009 of £7m (2008: net denominated assets of £6m).

Derivative financial instruments

Forward foreign-exchange contracts all mature in less than two years, and have been valued using forward market prices prevailing at the balance sheet date. The related fair value and ineffective cash flow hedges recognised in the income statement were nil (2008: nil). Effective cash flow hedges recognised directly in equity were £7m (2008: £1m). The notional principal amount of forward foreign-exchange contracts was £50m (2008: £48m).

The movements in reserves relating to cash flow hedges held by the Group are as follows:

	2009 £m	2008 £m
Forward foreign-exchange contracts		
Balance at beginning of year	(1)	(1)
Cash flow hedges released from reserves	1	1
New cash flow hedges recognised in reserves	(7)	(1)
Balance at end of year	(7)	(1)

Interest rate swap contracts all mature in less than three years, and have been valued using market prices prevailing at the balance sheet date. The related fair values recognised in the income statement were nil (2008: nil).

21 Contingent liabilities and financial guarantees

The Group's policy on claims that may arise in connection with disputes in the ordinary course of business is described in note 1 on provisions.

In July 2006, the LLP entered into a US\$47m loan guarantee with a third-party bank in connection with a loan to an entity in the PwC global network.

The LLP has also provided a guarantee in respect of the future lease commitment of a subsidiary company for the office premises at 7 More London.

The LLP guarantees the bank borrowings of certain subsidiary companies, which are included in the consolidated balance sheet. At the year end, relevant subsidiary company bank borrowings were nil (2008: nil).

22 Reconciliation of profit after tax to operating cash flows

	Group		LLP	
	2009 £m	2008 £m	2009 £m	2008 £m
Profit after taxation	680	675	661	643
Tax on profits	8	11	–	–
Adjustments for:				
– Depreciation, amortisation and impairment	26	29	1	1
– Loss on disposal of property, plant and equipment	–	1	–	–
– Gain on disposal of other businesses	(1)	(14)	–	(2)
– Finance income	(90)	(98)	(90)	(98)
– Finance expense	84	77	83	76
Changes in working capital (excluding the effects of acquisitions)				
– Decrease (increase) in trade and other receivables	59	(37)	67	(36)
– (Decrease) increase in trade and other payables	(16)	32	(27)	40
– (Decrease) increase in provisions and other payables	(4)	(2)	2	(2)
– Increase in retirement benefit assets	(28)	(21)	(28)	(21)
Cash generated from operations	718	653	669	601

23 Subsidiary undertakings

The financial statements consolidate the results and financial position of the Group, including the principal subsidiary undertakings listed below. All company shareholdings are 100% owned and the companies incorporated in Great Britain, except for PricewaterhouseCoopers (Middle East Group) Limited which is incorporated in Guernsey, with the Group owning 100% of the ordinary shares and the local Middle East partners owning 'B' shares. Under the terms of IAS 27 the Group has control as a result of owning 100% of the ordinary shares and the 'B' shares provide certain income access rights to the local Middle East partners.

Under the terms of IAS 27 the Group has consolidated the results of PricewaterhouseCoopers Legal LLP, even though the UK LLP members do not share in its profits. The profit and capital attributable to members of PricewaterhouseCoopers Legal LLP is shown as a minority interest in the consolidated financial statements, as is the minority interest profit and capital attributable to members of PricewaterhouseCoopers CI LLP and the Middle East practice partners (see note 25) of PricewaterhouseCoopers (Middle East Group) Limited.

Companies	Principal activity
PricewaterhouseCoopers Services	Service company and employment of staff
PricewaterhouseCoopers (Resources)	Employment of staff
PricewaterhouseCoopers (Middle East Group) Limited	Professional services
Sustainable Finance Limited	Professional services
Limited Liability Partnerships	
PricewaterhouseCoopers CI LLP	Professional services
PricewaterhouseCoopers Legal LLP	Legal services

24 Related party transactions

The LLP and the United Kingdom Partnership are related parties because they are both controlled by the same group of individuals and the United Kingdom Partnership is the predecessor firm of the LLP. This controlling group of individuals consists of all the members of the LLP who are also all the partners of the United Kingdom Partnership. Related party transactions between these parties are summarised below.

Services provided to PricewaterhouseCoopers United Kingdom Partnership in respect of client assignments

Arrangements are in place for the LLP to supply services to the United Kingdom Partnership in connection with client assignments. For the year ended 30 June 2009, the LLP provided services to the United Kingdom Partnership to the value of £289,000 (2008: £396,000) under these arrangements. There were no balances outstanding at the end of the year (2008: nil).

Administrative support to PricewaterhouseCoopers United Kingdom Partnership

On behalf of its members, the LLP provides certain administrative services to support the United Kingdom Partnership, including the calculation of annuities and paying agent arrangements in connection with the pension annuities due to certain former partners of that partnership. The LLP charged the United Kingdom Partnership £200,000 for these support services for the year ended 30 June 2009 (2008: £200,000). There were no balances outstanding at the end of the year (2008: nil). Amounts paid during the year to the annuitants on behalf of the continuing members in their capacity as partners in the United Kingdom Partnership totalled £64m (2008: £57m).

Key management compensation

The Executive Board represents key management personnel for the purposes of the Group's related party disclosure reporting. The estimated profit attributable to the ten members of the Executive Board amounts to £18.5m (2008: £17.3m actual and estimated attributable to nine members) and comprises their estimated share of the Group's profit available for distribution among members.

24 Related party transactions continued

LLP

The subsidiary undertakings as described in note 23 are related parties of the LLP. The transactions and year-end balances with these related parties are as follows:

	2009 £m	2008 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services	1,227	1,269
Other subsidiaries	4	–
Provision of services to related parties		
Other subsidiaries	(3)	(9)
	1,228	1,260
Year-end balances with related parties		
PricewaterhouseCoopers Services	(196)	(229)
Other subsidiaries	(27)	(8)
	(223)	(237)

25 Acquisitions of subsidiaries

On 19 December 2008, the Group acquired a 100% interest in Sustainable Finance Limited (SFL), a specialist consulting group, for a consideration of £3m. The LLP is treated as the accounting acquirer in the business combination. SFL works primarily with financial institutions and has an established reputation for advice on both minimising the risks and maximising the rapidly evolving opportunities associated with sustainability and climate change.

On 7 May 2009, the Group acquired 100% of the ordinary shares in PricewaterhouseCoopers (Middle East Group) Limited (MEG), a holding company for certain PwC Middle East practices, as part of a strategic alliance, for consideration totalling £15m. The consideration consisted of £10m in cash and £5m in deferred consideration.

The practice partners in these PwC Middle East firms (the 'Middle East Practice Partners') retain 100% of the 'B' shares in MEG through which the profits of MEG are divided amongst the Middle East Practice Partners, with the LLP's share of profit distributed through its 100% interest in the ordinary shares.

The LLP also acquired the business assets of Halliwell Consulting on 31 December 2008, an executive remuneration and share scheme advisory business for £2m.

The pre-acquisition carrying amounts in respect of the Group's acquisitions have been determined based on the relevant accounts prepared as of the acquisition date under applicable adopted IFRSs. The values of assets, liabilities and contingent liabilities recognised on acquisition are estimated fair values which approximate to pre-acquisition carrying amounts in nearly all cases. The provisional fair value adjustments that have been recognised are in respect of Middle East Practice Partners annuity enhancements of £1m and intangible assets totalling £7m, principally representing the present value of anticipated income streams resulting from the customer relationships of MEG. This calculation reflects charges for the right to practice in the Middle East as part of the PwC Network, for the workforce and working capital of MEG and a charge for the services of the Middle East Practice Partners. It assumes a future average 'churn rate' for customers' relationships of ten years. The resulting cash flows were discounted to current values using a weighted cost of capital. Any further finalisation of the fair value adjustments will be reflected in the 2010 financial statements.

25 Acquisitions and disposals of subsidiaries continued

Goodwill of £17m on acquisitions is principally attributable to the right to practice in the Middle East, the opportunity associated with sustainability and climate change consulting and the value of the respective existing workforces, none of which meet the criteria to be separately recognised from goodwill.

Profit for the financial year of £2m is included within these consolidated financial statements in respect of acquisitions. If the transactions had taken place at the beginning of the year, consolidated turnover and profit for the financial year, after amortisation of intangible assets, would have been £2,323m and £690m respectively.

The acquisitions of MEG and SFL had the following effect on the Group's assets and liabilities at acquisition:

	Pre-acquisition carrying amounts MEG £m	Pre-acquisition carrying amounts SFL £m	Fair value adjustments £m	Total recognised on acquisition £m
Property, plant and equipment	5	–	–	5
Intangible assets	–	–	7	7
Trade and other receivables	42	1	–	43
Cash and cash equivalents	(3)	–	–	(3)
Trade and other payables	(24)	–	–	(24)
Non-current other payables	(16)	–	–	(16)
Provisions	(3)	–	(1)	(4)
Net identifiable assets, liabilities and contingent liabilities	1	1	6	8
Less: Minority interests				(7)
Group's share of net identifiable assets, liabilities and contingent liabilities				1
Goodwill on acquisition				17
Total purchase consideration				18
Purchase consideration settled in cash				14
Cash and cash equivalents in subsidiaries acquired				3
Total purchase consideration in cash (net of cash and cash equivalents acquired)				17

There were no subsidiary company acquisitions in the year ended 30 June 2008.