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Building relationships. Creating value.

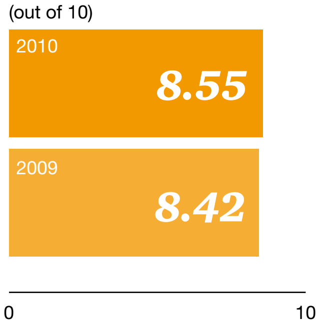
Annual Report 2010

pwc

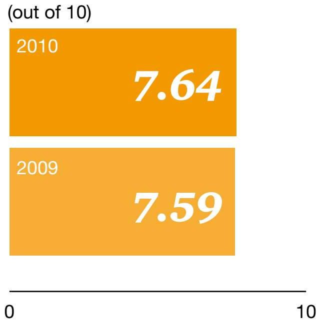
Key performance indicators

Client experience

Client advocacy[1]
(out of 10)

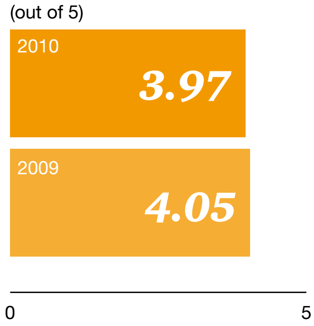


PwC brings fresh insights[1]
(out of 10)

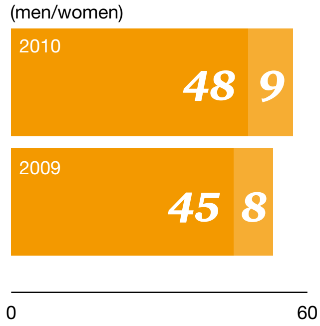


People experience

People engagement[2]
(out of 5)

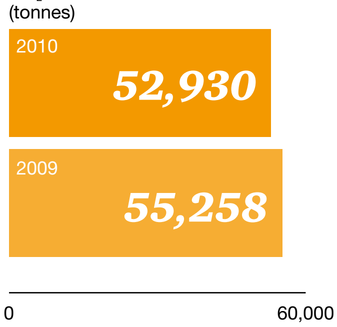


Partner admissions[3]
(men/women)

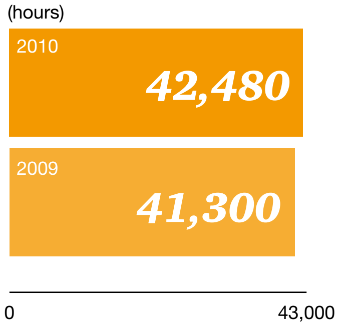


Sustainability and community

CO_2e emissions[4]
(tonnes)

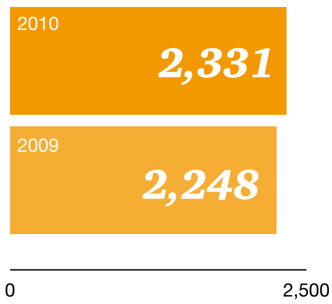


Time volunteered in the working day
(hours)

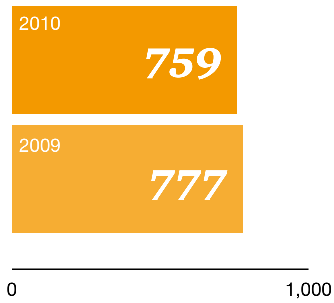


Financial

Turnover
(£m)



Profit per partner
(£000)



1 Figures based on direct client feedback.
2 Figures based on *youmatter* survey.
3 Numbers to and including 1 July 2010.
4 CO_2e figures based on Defra guidelines September 2009.

Our firm is founded on a culture of partnership with a strong commercial focus. This is reflected in our vision:

'One firm – a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities.'

'Our goal is to build the iconic professional services firm, always at the forefront of people's minds, because we aim to be the best. We set the standard and we drive the agenda for our profession. We value our past but look to invest in our future to leave the firm even stronger than when we inherited it.'

Contents

pwc.co.uk/annualreport

In addition to this annual report, the PwC website has more content, including case studies, deeper analysis of each section, interactive features and videos to watch.

Holding our nerve

Our annual report aims to give you a clear picture of our firm, the culture and values that underpin it and how we have performed in what has been a challenging year for the economy and hence also for our firm, our people and our clients. To hear more from Ian visit pwc.co.uk/annualreport

Our aim is to become the iconic professional services firm; to lead our sector and to be heard and recognised beyond it, contributing to policy development and setting practices that others will want to follow.

The UK is a world leader in the provision of professional services. I am determined that PwC will play its part in maintaining and building on this position.

I am delighted to welcome you to our annual report for 2010, which sets out the firm's strategy and goals and analyses our performance and achievements.

Who we are

Our vision for PwC is based on always bringing the best of PwC to our clients and our people, using the energy and power of the entire firm and behaving with integrity, confidence and humility. Put simply, we call this the PwC Experience.

Focus on growth

The past two years have been the most challenging of my professional career. The global downturn has had an inevitable impact on our business. We took a strategic decision at the start of the recession to hold our nerve, stay close to our clients and our people and maintain levels of investment and recruitment. We did this to ensure that we could support our clients through turbulent economic times and to make certain that our firm is well placed to grow quickly as the economy recovers.

UK economy

As I talk to leaders in both private and public sectors, we share the view that we should not take economic recovery for granted. There are encouraging signs of a pick up, with increased activity in the markets. However, the recovery is fragile and it is still too early to call with any great certainty. What is certain is the need to work with government to make sure we create the right conditions for those in business to help the nation return to economic strength. That we have to address our debt burden and make spending cuts is unavoidable, but the emphasis must also be on accelerating business growth to ensure long-term economic health.

We also urge caution against over regulation. Too much regulation at this point will damage our ability to recover and grow in a highly competitive international landscape.

Sensible regulation will help stimulate growth and underpin quality. The concern now is whether the spirit of cross-border co-operation that existed in the depth of the crisis will dissipate, with countries starting to focus on local interests when there remains a compelling need to work together globally. The key issue is not to do something in the UK that prejudices our competitive position with the rest of the world. We see the PwC network having an important role to play as a channel between governments and the chairmen and CEOs of the companies we work with across the globe.

PwC performance

Against this challenging economic backdrop I am pleased to report overall turnover is up 4% to £2,331m. Profits per partner were down 2% at £759,000. This is in line with our strategic decision to invest in our people, our clients and our business to ensure future growth.

I am also happy to report that PwC was the highest-ranked professional services firm in this year's Business Superbrands listing, where our 10th place marks a seven-place jump from 2009 and shows that we are progressing well in our ambition to be the strongest and most distinctive professional services brand.

For the seventh year running PwC has come top in The Times Top 100 Graduate Employers survey and I am also pleased to report that we were voted number one in the Guardian UK300 survey at the National Graduate Target GTI Awards.

The firm also came fourth in The Sunday Times Best Companies survey, an increase from seventh position last year.

Given the emphasis we place on recruiting incredibly talented and highly motivated people these are tremendous results for us.

Investing in our people

We are number one in our markets on many measures, including revenue and number of people, and we want to keep it that way. We have done all we can to keep our people in work during the recession and over the past year we held our graduate recruitment at similar levels to 2009.

A significant number of the people we recruit achieve their professional qualifications with us. While many will stay to develop their careers with the firm, some head off to pursue opportunities in industry and the public sector. In many ways PwC is comparable to a leading business school in our ability to recruit, train and develop business professionals who go on to add value to the economy, both inside and beyond the firm. We are very proud of the contribution our people make.

During the course of the year, we have also admitted a total of 19 direct-entry partners, each with exceptional talents and commercial acumen. We continue to develop talent from within, and promoted 38 partners on 1 July 2010.

Over the past year there has been a vigorous public debate about reward and remuneration. In the People section of this report you will find details of our recruitment, reward and retention strategy. I am pleased to report that the number of promotions has increased by almost 25% compared to last year. This figure is a testament to the quality of our people and to our long-term commitment to develop talented people within our firm.

Investing in our business

Throughout the downturn we have continued to invest in building our business. Three particular areas of focus have been audit quality, sustainability and consulting.

While the focus will rightly remain on the organic growth opportunities within our business, we will also continue to seek strategic acquisitions which add to the quality of our business and which support and enhance our brand and the values that underpin it.

Audit quality

As the UK's largest audit firm we recognise that we have a very significant public interest responsibility. Audit quality underpins our reputation and is the foundation on which we have been able to build our business. It is of paramount importance to our firm and it is central to our strategy. We have maintained our investment in training our audit professionals and building the technologies that support them. One example is the comprehensive online database we have created for all UK and international accounting, auditing and ethical standards. We are committed to ensuring exemplary audit quality. As Chairman I work with the Executive Board and partners as we strive to ensure that we set the right 'tone from the top' to continuously improve the quality of everything we do at PwC.

In the aftermath of the economic crisis there is rightly a renewed focus on what is expected of auditors. PwC is playing a leading part in the discussions to shape the future of our profession to meet the changing needs of all market participants. Over the course of the past year we have engaged in important debates on the auditing of large financial services companies, the future of auditing standards and the provision of non-audit services and we will continue to be involved in these important discussions as they develop.

Further details of our approach to delivering quality audits can be found in our latest transparency report at pwc.co.uk/annualreport

Sustainability and community

Sustainability remains the most important issue we are going to have to deal with over the coming decades. In the years ahead, we do not think there will be many business decisions that are not impacted by the sustainability agenda.

Experience with our clients supports this view and business awareness of climate change and sustainability issues has grown even stronger over the last year.

As a consequence we have set up a team of market-leading experts, including some of the most respected commentators on these topics.

At the same time we recognise the need to be setting, as well as advising on, best practice. We have recently appointed a Director of Corporate Sustainability responsible for our own sustainability agenda. We are in the process of integrating sustainability into all aspects of what we do – ranging from the advice we give to clients to our contributions to public policy, being a great place to work and minimising our own firm's environmental impact.

I am proud of the enormous contribution our people make to our local communities, including 4,865 of our staff volunteering more than 42,000 hours during the working day.

2010 highlights

1st in the Times Top 100 Graduate Employers survey

1st in The Guardian UK300 survey

But improving our own sustainability performance and community programme is only half the story. We are in business to serve our clients, and to achieve that goal we have a responsibility to build a sustainability practice that will help clients plan and implement strategies to build truly sustainable businesses.

Consulting

We have also continued with our stated ambition to grow our consulting practice. I am delighted that we have won significant market share and as a consequence increased our consulting net revenue by 15% in a year when the overall consulting market has declined. The majority of our consulting work is undertaken for clients where we are not the auditors. We help organisations to put strategies into action in a way that can be measured, to work smarter, and to grow faster. We have grown our consulting team by recruiting market-leading individuals and making selected acquisitions. One example is the acquisition of Paragon, an enterprise performance management technology business.

Governance

Trust in business has declined over recent years, particularly during the past two years of economic turbulence. PwC has long taken the view that business, and those people who lead businesses, have a responsibility to address this loss of trust.

Eight years ago we established the Building Public Trust Awards to promote best practice in public reporting for public companies and for government and the third sector. You will not be surprised to hear that we believe we should practice what we preach, and for that reason this annual report goes beyond our statutory obligation and provides a comprehensive overview of our strategy and a detailed analysis of financial and non-financial key performance indicators.

Our governance has been further strengthened by the establishment of our own Public Interest Body (PIB) which meets the requirements of the new Audit Firm Governance Code. The PIB will contribute towards the governance of the firm and enhance dialogue with stakeholders who are important to the firm's future.

Global network

We have the strongest and most complete network around the world. This is essential to enable us to provide top-quality services to all our clients, whether they are local or multinational. PwC is structured as a network of member firms, owned and operating locally in 151 countries around the world, with more than 163,000 people connected to share knowledge, skills and resources.

This network also provides excellent opportunities for our partners and staff to pursue career opportunities outside the UK. In the past 12 months, 326 people have been able to develop their careers on both short and long-term assignments overseas.

Our strategy over the next three years

We expect to perform strongly in the year ahead, but there are still a number of challenges to be managed that will affect our business, not least the eurozone economic crisis and public sector debt.

As set out last year, our business strategy centres on achieving transformational growth of our consulting market share and extending our lead in our core businesses of audit, tax, business recovery services and transactions.

We will also continue in our efforts to expand a number of our other businesses where we see excellent long-term growth prospects, such as human resource services, risk assurance and forensics. Looking at the markets we serve, we believe we are well placed to increase our market share in financial services, in the public sector and with entrepreneurs and private companies.

Outlook

Looking forward, I am confident we have the people and collective sense of purpose to continue our firm's success. I am also confident that we have a strategy which will continue to prove effective even in uncertain economic times.

I remain convinced that we took the right decision last year to hold our nerve and continue to recruit talented people and make significant investments in our business. We have stayed close to our clients through this very testing period and done our best to help them to withstand the pressures of economic uncertainty. As a business we have been able to build momentum, which means we are well placed to focus on the significant growth opportunities we have identified.

By remaining true to our vision of being a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities, I believe we have already made significant progress towards delivering our long-term goal of becoming the iconic professional services firm.

Finally, and most importantly, I would like to thank our clients and our people for their continued support this year.

Ian Powell

Ian Powell, Chairman

Investment works

To hear more from Richard, visit pwc.co.uk/annualreport

Our commitment to continuing to invest in our business, our clients and our people whilst managing down our costs have delivered an excellent set of results.

Almost all markets across the world have endured two of the most economically challenging years on record. We believe our focus on investing in our business, staying close to our clients and our people, and managing down costs has helped to deliver an excellent set of results for the year and has prepared the ground for our future.

Our performance

The majority of the Group's revenues come from the UK but our services are heavily influenced by international markets. Over a number of years, UK and global GDP growth, business confidence and transaction volumes have been strong leading indicators of demand for our services. In the year to 30 June 2010, GDP showed only a modest recovery following earlier steep falls, deal volumes remained low, and business confidence remains fragile as business struggles to deal with the uncertainty created by the public debt overhang.

Despite these difficulties, our financial performance has been strong. Overall turnover was 4% ahead of last year, at £2,331m, and our consulting business in the UK had a particularly strong year, with a 15% increase in net revenue.

Our overall result is derived from the diverse range of leading businesses in the Group, all of which performed well.

Staff costs rose by 4% this year, in line with turnover. As a consequence the gross margin is broadly flat in percentage terms. This is the result of improved efficiency in certain core businesses offset by higher growth rates being achieved by lower margin businesses and continued investment, including into our Middle East strategic alliance.

We reduced controllable overheads in the UK by £35 million in the year whilst retaining staff at all levels in the firm. Those savings have largely been achieved by better control of our discretionary spend, and it has been particularly rewarding to see the level of engagement our people have shown in helping us achieve our targets.

This cost reduction has not affected the delivery of services. At the outset we resolved that we would not achieve savings at the cost of quality and client service. In fact as we've gone through this process we've consistently found that streamlining our services and support activities has improved our ability to focus on those things that matter most to our clients.

Profit available for division among members was down 7% at £622m and average profit per member was down 2%, reflecting our choice to invest in the future of our business, including the commencement of the lease and fit out of our new More London office.

Investments

During the year we chose to invest in the future of our business. These investments included the recruitment in the UK of 1,750 people, 57 new partners, a new and environmentally leading London office and the acquisition of the Paragon business.

We believe that the Middle East is a particularly dynamic and strategically important part of the world. Our strategic alliance was established last year and I am delighted that this year the Middle East firm has admitted a further 25 new partners and over 400 new staff to provide clients with the scale and breadth of professional support they need across the region.

Business operations

We continue to assess the firm's performance in two dimensions: our markets and our businesses. We look at the market by segment, industry and region. Our businesses are organised in three Lines of Service: Assurance, Tax and Advisory.

The markets dimension is designed to combine a strategic view of the needs of clients with focus, support and challenge at an individual client team level. The segment leaders focus on our largest national clients, working with our industry leaders to bring insight and knowledge to our clients and the teams that serve them.

The Lines of Service are responsible for managing resources and the profitability of businesses that are largely organised around competencies. Turnover by Line of Service and by market segment are shown on page 8, together with a summary of the major achievements by Line of Service on page 9.

Looking ahead: market trends

We have undertaken extensive work to understand the context in which we are likely to operate over the next three years. Given the limited prospect of a major economic turnaround in the next twelve months, we believe growth will mostly come from increasing market share as opposed to the size of the market increasing. We will continue to invest in understanding our clients' businesses and the dynamics of the industries and markets in which they operate. Agility and entrepreneurship will be required to make the most of the significant opportunities that a rapidly changing environment brings.

The composition of our client base is also changing. This year 57% of our turnover came from services provided to clients where we are not the auditor, continuing the trend we have witnessed in recent years. See page 8 for further details.

The SuperGroup IPO

From October 2009 to March 2010, PwC's Midlands-based team advised on the flotation of SuperGroup, a fast-growing international retailer and wholesaler of branded youth fashion famed for its 'Superdry' brand – the first successful UK retail listing since the start of the downturn. Four of the team members share their experiences at pwc.co.uk/annualreport

Despite the economic challenges of the last year, we are proud of the investments we have made this year in the long-term sustainability of our business and the communities in which we operate. I am confident that we have a strong and robust business which will enable us to serve our clients and provide challenging and enjoyable opportunities for our people and partners.

National network

A UK network of offices is integral to our business strategy of staying close to our clients and having a deep understanding of the local environment in which they operate. Last year our offices outside London accounted for 42% of our UK business. With 40 offices in 31 locations across the country, we are able to bring the full scale and breadth of PwC's capabilities to help us deliver the same client experience wherever clients access our services.

Our clients tell us that what they value is our knowledge, insights and commercial acumen and we work hard to gain a better understanding of the issues they are facing. This year we launched the PwC Regional Trends economic survey which gives an overview of business confidence and trends across our regional network, drawing on the expertise of our regional leaders. Through our Private Business Forum we regularly meet entrepreneurs and business owners who run some of the UK's most dynamic and iconic companies. The Enterprising UK Survey helps us to understand the concerns of private businesses and we use this survey to help provide a business voice with Government.

Business performance highlights

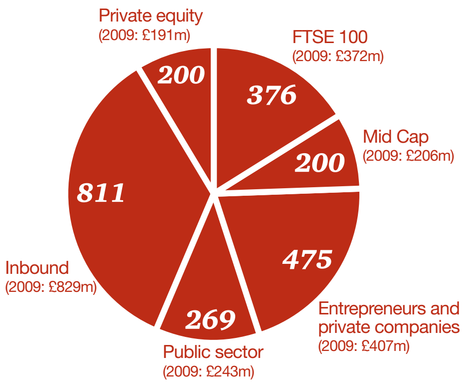
FY10 turnover
£2,331m
FY09 £2,248m
+4%

Assurance
£893m
FY09 £861m
+4%

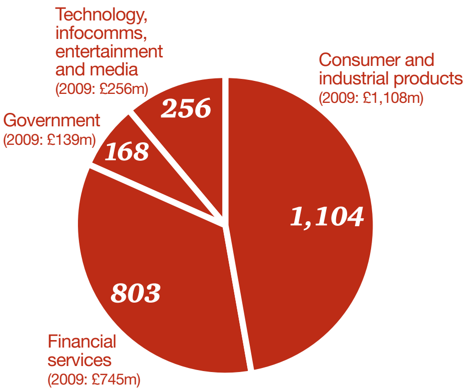
Advisory
£804m
FY09 £737m
+9%

Tax
£634m
FY09 £650m
-2%

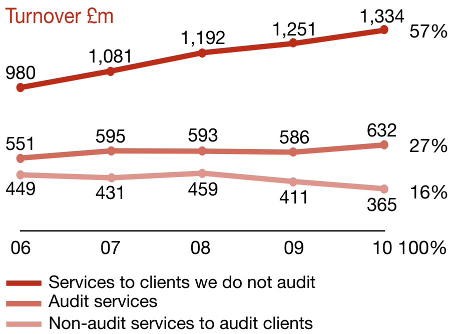
Segment analysis



Industry analysis



Service analysis



Note: Segment and industry prior year analyses have been restated to conform with the current year presentation.

Line of service leaders

From left to right:
Kevin Ellis (Advisory), Barry Marshall (Tax) and Richard Sexton (Assurance)

Assurance

- In an intensely competitive marketplace we have a leading audit market share in both the FTSE 100 at 38% (2009: 40%) and the FTSE 250 at 28% (2009: 27%).
- We remain extremely active helping companies access the UK capital markets and were the reporting accountant on more than one in four Main Market FTSE initial public offerings. In addition we advised on 35% by number and nearly half by value of rights issues.
- Demand for Risk Assurance Solutions in areas such as business resilience, treasury and commercial contracts grew for the second year in succession – revenues increased by more than 20% in FY10.
- Our Building Public Trust awards completed their seventh year and continue to be a key part of our focus on helping to improve and develop the corporate reporting model.
- We are heavily involved in many of the debates around the profession, including audit firm governance, international regulation and the effectiveness of bank audits.
- We have invested heavily in our 'value without compromise' programme and new audit tools to support our methodology; and in the behaviours that are so important to the execution of our work and in reinforcing professional scepticism.
- About 850 graduates joined us last year with a significant number working towards the milestone professional qualification of becoming members of ICAEW, ICAS or ACCA.

Advisory

- Our UK consulting business won market share and as a consequence increased net revenue by 15%.
- Debtwire 2009 UK statistics ranked PwC as lead adviser of financial restructuring appointments by volume.
- We remain market leader in insolvencies and were Corporate Recovery Firm of the Year (Large Firms) at the 2009 Insolvency and Rescue Awards.
- Our Corporate Finance team won Upper Mid Market M&A Adviser of the Year in the Acquisitions Monthly awards.
- Corporate Finance was named European Adviser of the Year at the Project Finance International awards.
- The Financial Services Regulatory Practice won the Best Consulting Firm of the Year award at the annual Complinet Compliance awards, the pre-eminent awards for Compliance professionals in the financial services industry.
- We were voted Professional Services Firm of the Year at The Private Equity Awards – 2010.

Tax

- Global Tax Monitor recognises us by reputation, as the leading firm in the UK for tax advice and as the leading firm in the UK for advising on difficult and complex tax issues.[1]
- Although revenues declined by 2%, the business returned to growth in each of the last eight months of the year.
- We received four pension industry awards: Employee Benefits Consultant of the Year, Actuarial Adviser of the Year (2010 Financial Times Pension & Investment Provider Awards), Employee Benefits Consultancy of the Year 2010 and Sponsor Covenant Adviser of the Year (Professional Pensions Awards).
- We were voted the Enterprise Investment Scheme Association's adviser of the year for the fourth consecutive year.
- We are International Tax Review's UK and European transfer pricing firm of the year.
- Euromoney announced us as winners of Best Global Adviser for Taxation Services at its annual Real Estate Awards.
- Our work with the Hundred Group positions us at the centre of the tax policy debate and we are widely recognised as leaders in promoting tax transparency.

1 These results are based on the year ending Q1 2010 figures, with a sample size of 317 primary buyers of tax advice in the UK. Launched in 2000, the Global Tax Monitor (GTM) is a multi-client independent survey conducted by research agency TNS, that examines the competitive position of the top firms in the tax advisory market – globally, regionally, nationally and on an industry basis. It provides a comprehensive measure of firm reputation, client service and brand health, gained currently from just over 3,000 telephone interviews annually with key decision makers (CFOs and Tax Directors) in 31 key markets.

People

To hear more from James, visit pwc.co.uk/annualreport

Providing a truly exceptional client experience requires a diverse group of talented people and an environment in which they can flourish. At PwC we don't stop in our efforts to stretch, develop and motivate our staff, to provide stimulating careers and remarkable client service.

Our people are fundamental to PwC becoming the iconic professional services firm. Our focus therefore is on recruiting, training, motivating and rewarding a highly talented group of people, and on providing an environment in which every individual can reach their full potential.

Holding our nerve

Throughout the downturn, we talked a lot about 'holding our nerve' and it's something we truly lived as a firm. We were able to protect jobs by carefully managing non-essential costs and by moving people into the busiest areas of the firm. This investment in people continues in many ways, not least through our core professional development programmes and the introduction of a firm-wide women's leadership programme to build a pipeline of future female leaders.

The results are beginning to show. This year, PwC climbed to fourth in The Sunday Times Best Big Companies 2010, the highest ranking among professional services firms. This is particularly pleasing as our performance is directly linked to feedback from our people.

We are also delighted to report that for a record seventh consecutive year we've been voted the top graduate employer in The Times Top 100 survey and we were also voted number one in the Guardian UK300 survey at the National Graduate Target GTI Awards.

The PwC Experience

To help us move towards our goal of creating the iconic firm, we have created The PwC Experience, a comprehensive framework that defines how working with PwC as a client or for PwC as a member of staff should feel. We track and manage our performance in a number of categories, including levels of engagement, the way we treat our people and clients, the strength of our brand and inter-office mobility.

4th in The Sunday Times Best Big Companies 2010

82% of our people are proud to work here

The Sunday Times Best Big Companies survey

Duncan McGill – 1NSIGHT intern

Duncan McGill, who joined PwC East Midlands on an 1NSIGHT internship, shares his first impressions at pwc.co.uk/annualreport

An exceptional place to work

We want to attract and retain talented people who are motivated by more than professional success alone. Many of the development opportunities that we offer centre on our relationships with our community partners. We are an extensively networked, highly sociable firm that provides great opportunities not only for career progression but also for involvement in meaningful community and environmental programmes. According to The Sunday Times Best Big Companies survey, 82% of our people say they are proud to work here.

Priorities for the year ahead

From a strategic perspective, our priorities continue to be on recruitment, engaging our people, mobility and agility, diversity, managing and rewarding performance and personal development. The result for clients will be an increasingly distinctive experience and sustained high performance as we succeed in offering our clients the best talent the market has to offer.

Gemma Dixon at Davos

This year, our people were invited to enter a competition for a chance to join the PwC team at the World Economic Forum in Davos. Entrants were tasked with answering the question: What should be on the mind of the CEO during 2010? And why? Winner Gemma Dixon tells us about her experience at pwc.co.uk/annualreport

We want to attract and retain people who are motivated by more than professional success alone.

Sustainability and community

Bridget Jackson (Director of Corporate Sustainability), Malcolm Preston (UK and Global Sustainability & Climate Change leader)

Our total community contribution

including cash, time and in-kind support (2009 – £7.9m)

£8.1m

Sustainability and community

Sustainability is core to who we are, what we do and how we do it. It is a central part of our vision to become the iconic firm.

At PwC, we're currently taking steps to ensure our business is 'green-proof' from top to bottom – from how we deliver our services and how we manage our operations to how we influence our wider community. Malcolm Preston, UK and Global Sustainability & Climate Change leader, and Bridget Jackson, Director of Corporate Sustainability, talk through the firm's strategy at pwc.co.uk/annualreport

PwC has a strong track record of corporate responsibility, but we are stepping up our efforts so we may maintain leadership in sustainability. Our ambition covers both our internal and our client-facing sustainability teams.

Our task has been to move our thinking so that sustainability is taken into consideration in everything we do – how we deliver our services, how we manage our operations and how we influence our wider community. Our sustainability strategy is shaped by our Corporate Sustainability Governance Group which

Engaging with community projects

From left to right: Dave Miller (Bikeworks), David Adair (PwC Community Affairs), Alastair Wilson (School for Social Entrepreneurs)

is chaired by Richard Collier-Keywood, our UK managing partner, and includes Ian Powell, PwC's UK chairman, and other senior figures from across the firm. We see sustainability as a strategic issue, and we are delighted this has been recognised in our achievement of the Business in the Community Platinum Plus award.

Delivering our services

Sustainability has moved to the top of the agenda for many of our clients. Our global network of Sustainability & Climate Change professionals works with governments, companies and industry stakeholders around the world and has been instrumental in many of the major sustainability developments that are shaping both policy development and business today. In the past year we've helped clients with significant projects in a number of segments from supply chain management to forestry and international development to climate change adaptation.

Managing our operations

We continue to improve our own sustainability performance with a focus on those areas of highest impact and materiality. Since last year we have reduced CO_2e emissions by 4.2% in the UK. We travel less, consume less, produce less waste and recycle more. We recognise that this has, in part, been driven by the reduced level of travel through the downturn. The challenge will be to sustain the reductions in emissions as the economic recovery builds momentum. We have received Carbon Trust accreditation, our new building at More London is the first major office in the UK to be classed as 'Outstanding' by BREEAM (the environmental assessment method for buildings) and we're the only professional services firm in The Sunday Times Best Green Companies list.

Influencing our communities

We consider leadership to include helping to shape the environment in which our clients and communities operate, live and work. A significant part of our strategy is therefore dedicated to giving time, financial support and capacity building in each of the private, public and third sectors.

Over the past year PwC has taken a leading role in shaping the sustainability debate, including through our involvement at COP15 in Copenhagen, managing the Climate and Development Knowledge Network and driving thought leadership – from the comprehensive 'Appetite for Change' survey to our 'Low Carbon Economy Index'.

Alongside our work as a firm, our people's individual efforts have remained unstinting throughout the recent downturn. This year, 4,865 of our staff in the UK volunteered 42,480 hours to support community activities during the working day, and 1,187 also volunteered outside working hours, supported by our Matched Giving Programme and Volunteering Awards Scheme.

We are proud of these successes and we're determined to build on them in the future. More information on our sustainability performance and a number of our community initiatives, including our partnership with the School for Social Entrepreneurs and our employee volunteering work with The Harris Federation of South London Schools, can be found online at pwc.co.uk/annualreport

Supporting social enterprise

The School for Social Entrepreneurs (SSE) helps individuals and companies use their creative and entrepreneurial abilities for social benefit. The SSE's Alastair Wilson discusses Bikeworks with SSE Fellow, Dave Miller. Bikeworks is an initiative set up by Dave and his business partner that offers a range of organisational and public cycle services, including training courses, repairs, bike recycling and sales of new and refurbished bikes. Watch the video at pwc.co.uk/annualreport

Whitbread secondment

Helen Harris, a consultant in PwC's Sustainability & Climate Change team, is currently on an 18-month secondment to Whitbread as Corporate Responsibility Director. Read more about Helen's experience at pwc.co.uk/annualreport

Leading our profession

Managing the firm

PricewaterhouseCoopers LLP is a limited liability partnership. It is wholly owned by its members, who are commonly referred to as partners.

The Executive Board is responsible for developing and implementing the policies and strategy of the firm, and for its direction and management.

The Executive Board sets and communicates the firm's strategic priorities, which feed into the firm's business planning process. The contribution of each part of the firm is monitored through balanced scorecard reporting.

The Board is chaired by Ian Powell, whose term of office runs for four years from July 2008 to June 2012. The Chairman appoints the other Executive Board members, all of whom are partners in the firm. Each board member has responsibility and accountability for a specific aspect of our business.

The Executive Board meets at least monthly, and conducts formal business at additional meetings as necessary.

Executive Board

Ian Powell – Chairman and Senior Partner
Richard Collier-Keywood – Managing Partner
James Chalmers – Head of Strategy and Talent
Kevin Ellis – Head of Advisory
Owen Jonathan – General Counsel
Barry Marshall – Head of Tax
Kevin Nicholson – Head of Regions
Paul Rawlinson – Head of Markets and Industries
Richard Sexton – Head of Assurance
Keith Tilson – Chief Financial Officer

Ian Powell – Chairman and Senior Partner

Richard Collier-Keywood – Managing Partner

Kevin Ellis – Head of Advisory

Richard Sexton – Head of Assurance

Barry Marshall – Head of Tax

James Chalmers – Head of Strategy and Talent

Keith Tilson – Chief Financial Officer

Owen Jonathan – General Counsel

Paul Rawlinson – Head of Markets and Industries

Kevin Nicholson – Head of Regions

The Supervisory Board

The firm also has a Supervisory Board, which is independent of the Executive Board. Fifteen members of the Supervisory Board are elected by the partners. Ian Powell, in his capacity as Chairman, is an ex officio member of the Supervisory Board. Additionally, two partners in the firm who have been elected to the Board of PricewaterhouseCoopers International Limited are also ex officio members of the Supervisory Board.

The Supervisory Board generally meets monthly but may occasionally hold additional meetings as necessary. The three-year term of office of the current elected members of the Supervisory Board began on 1 January 2010.

The Supervisory Board provides the Chairman with guidance on matters of actual or potential concern to the partners. It is also responsible for approving the Annual Report, for recommending the admission of new partners, for overseeing the process for electing the Chairman and for checking that our policies on partners' remuneration are being properly applied.

The Senior Management Remuneration Committee is a committee of the Supervisory Board. It makes recommendations to the Supervisory Board, which sets the Chairman's profit share, and it approves the Chairman's recommendations for the profit shares of the other Executive Board members.

The Audit and Risk Committee (previously known as the Audit Committee) is a committee of the Supervisory Board that has responsibility for reviewing the policies and processes for identifying, assessing and managing risks within the firm. It oversees the management of those risks, including financial control, compliance and independence. It also reviews the firm's financial statements and considers the scope, results and effectiveness of internal and external audit, including reviewing the external auditors' independence and any non-audit services and fees. The Chief Financial Officer and General Counsel, together with the internal and external auditors, attend the committee's meetings by invitation. It met seven times in the year ended 30 June 2010 (2009: six times).

The members of the Supervisory Board for the period from 1 July 2009 to 31 December 2009 were:

Elected members:

Gerry Lagerberg*, Chairman
Pam Jackson, Deputy Chair
Mohammed Amin†
Clare Bolton*
Colin Brereton
John Dowty†
Roy Hodson*††
Gordon Ireland**
Mike Karp
Pat Newberry†
Ian Rankin*†
Duncan Skailes
Julia Smithies*
Graham Williams†

Ex officio member:

Ian Powell

* Senior Management Remuneration Committee member
** Senior Management Remuneration Committee Chairman
† Audit Committee member
†† Audit Committee Chairman

The members of the Supervisory Board from 1 January 2010 are:

Elected members:

Duncan Skailes*, Chairman
John Dowty†, Deputy Chair
Colin Brereton*
Pauline Campbell†
Paul Clarke*
Katherine Finn
Roy Hodson††
Rob Hunt†
Pam Jackson**
Mike Karp†
Roger Marsh
Pat Newberry
Ian Rankin*†
Matthew Thorogood
Graham Williams

Ex officio members:

Gerry Lagerberg*^
Murray Legg^
Ian Powell

* Senior Management Remuneration Committee member
** Senior Management Remuneration Committee Chairman
† Audit and Risk Committee member
†† Audit and Risk Committee Chairman
^Member of the Board of PricewaterhouseCoopers International Limited

Public Interest Body

During the year partners voted on changes to the firm's constitution to allow for the establishment of a new Public Interest Body (PIB) for the firm. The PIB is an additional governance body to the Supervisory Board which will principally focus on matters of public interest in compliance with The Audit Firm Governance Code (the Code) published by the Financial Reporting Council and the Institute of Chartered Accountants in England and Wales.

The majority of the members of the PIB will be non-executives. The responsibilities of the non-executives on the PIB are to enhance shareholder confidence in the public interest aspects of the firm's decision making, stakeholder dialogue and the management of reputational risks, including those in the firm's businesses that are not otherwise addressed by regulation. In addition to the benefits identified in the Code, we expect to gain value from involving non-executive members of the PIB in other areas of the firm as may arise.

Managing risk

The Executive Board takes overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these systems and for ongoing monitoring of risk and the effectiveness of controls rests with senior management.

The systems, which have been in place throughout the financial year and up to the date of approval of these financial statements, include the following:

- The Risk Council, an Executive Board sub-committee, which is responsible for ensuring that the controls are in place to identify, evaluate and manage risk;
- Our Lines of Service and our internal firm services which document risks and the responses to them, carry out risk assessments annually and report to the Risk Council on how effectively they have managed risk during the year;
- Our internal audit team, which reviews the effectiveness of the financial and operational systems and controls throughout the Group and reports to the Executive Board and the Audit and Risk Committee; and

- Our risk and quality functions, which oversee our professional services risk management systems and report to the Executive Board.

Furthermore, we have procedures to assess the risks associated with new clients, including whether they meet the expected standards of integrity. As part of the annual audit cycle, we conduct risk reviews of audit clients, and decline to act for clients that, in our opinion, fall short of our standards.

Our internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives or, in the case of financial controls, the risk of material misstatement in our financial statements. Accordingly, they provide only reasonable and not absolute assurance against such failure or material misstatement.

The Executive Board, in reviewing the operational effectiveness of the system of internal control, confirms that necessary actions have been or are being taken to remedy any significant matters identified in the review.

Maintaining quality
The firm's leadership is committed to quality work and has established a culture upholding the values of integrity, independence, professional ethics and professional competence. Further details of our internal quality control system, quality control standards and independence procedures and practices are given in our Transparency Report (pwc.co.uk/annualreport).

Quality people
The quality of our work is determined largely by the quality of our people. Consequently, we aim to recruit, train, develop and retain the best and brightest.

Consultation
Our consultative and supportive culture means that partners and staff are not left to take a difficult decision alone. Our people have ready access to wide informal and formal networks and technical panels that will help them reach the right solutions to difficult problems.

Quality procedures
We have developed standard methodologies and work programmes for many of our services. These are designed to ensure that our partners and staff deliver work of the expected quality.

Quality assurance programmes
Each Line of Service runs an annual quality assurance programme, in which independent teams of partners and staff review completed engagements to assess their compliance with our quality standards and regulatory requirements.

Independent senior partner reviews
We operate a programme of obtaining direct feedback from our clients via face-to-face interviews undertaken by senior partners independent of the engagement teams. We use this feedback to ensure that we continue to provide high-quality services and address any service issues promptly.

Learning lessons
Our reputation for quality is high. Inevitably, given the size of our business, we do on occasion fall short of the standards we set ourselves. When this happens, we seek to discuss and resolve the issues with the client or other concerned party. We also review the matter independently for lessons learned and communicate those lessons to the relevant part of our business.

Building relationships
Glyn Barker, Vice Chairman

PwC has an unrivalled client base in the private, public and third sectors. The leaders of these organisations face greater challenges than ever before in running their organisations in a sustainable and ethical manner, while setting the standard for transparency and accountability against an exceptionally challenging economic and financial environment.

Our senior decision-maker programme exists to bring these leaders together with PwC experts to share their experiences and learning. This programme plays a constructive part in equipping business and public sector leaders to meet changing regulatory and legislative requirements, rising public expectations and ever-increasing demands for improved financial performance.

We also continue to invest in the next generation of Board members among our clients and beyond by inviting them to join a wide range of events designed to help prepare them for future leadership responsibilities. The breadth and diversity of the next generation of leaders is a priority for us and I am delighted that we are able to play our part in developing future leadership talent.

Keith Tilson

Investment and growth

To hear more from Keith, visit pwc.co.uk/annualreport

Members' report

The Executive Board submits its report and the audited consolidated financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2010. This report should be read in conjunction with the other sections of this annual report.

Financial performance

Our turnover grew 4% to £2,331m, compared with flat growth in the prior year. The outturn includes a full year's consolidation of the results of our strategic alliance in the Middle East. Our turnover growth is particularly pleasing given the current UK and global economic conditions and the reduction in deal-related activity. Our financial performance benefits from our strategy of continued investment and having a diverse range of strong businesses and services.

Operating costs

Our staff costs increased 4% in the year, with headcount up 9%, in part reflecting a full year impact of the Middle East. Staff bonuses across the Group increased 14% to £81m.

We maintained tight control over discretionary operating costs during the year, yielding significant savings. However, these were offset by the costs associated with the growing Middle East firm, the commencement of the lease and fit-out of More London, an increased charge arising from our two defined benefit staff pension funds and also an unfavourable foreign exchange movement in a number of US dollar denominated costs. Profit on ordinary activity before taxation, as a percentage of turnover, was 28.5%, compared to 30.6% in the prior year.

We measure the quality of our infrastructure and support services by reference to both service level agreements and cost and by regular Your Services Your Say surveys. Our latest UK survey results show that internal service satisfaction levels have remained high at 90% (2009: 92%).

Staff pensions

Some 8,100 of our staff are active members of the firm's various pension arrangements. The majority are members of the firm's defined contribution scheme, with some 1,100 staff being members of, or having eligibility to join, one of the firm's defined benefit schemes.

Under the terms of the 31 March 2008 triennial actuarial reviews of the defined benefit schemes, the firm has already paid £60m of additional deficit reduction contributions, with a further £72m due over the next three years.

The actuarial valuations carried out for the purpose of these accounts indicate a total deficit of £164m, compared to £140m in the prior year. The increase in the deficit primarily reflects a decrease in the long-term discount rate used to value scheme liabilities, offset by increases in asset values since last year.

The firm has recently announced its intention to close both defined benefit pension schemes to future accrual with effect from 5 April 2011 and is currently consulting with the affected employees.

Profit for the financial year

Total profit for the financial year of £642m comprises profit available for division among members of £622m and profit attributable to non-controlling interests of £20m.

Profit available for division among members decreased by £45m from £667m to £622m. Average profit per partner, which is stated after excluding the impact of members on overseas secondment, decreased 2%, down from £777,000 to £759,000.

Net assets and financing

Our balance sheet remains strong, with net assets of £538m (2009: £497m). Working capital management continued to remain healthy, with profit after interest, tax and working capital adjustments generating a positive operating cash flow of £681m (2009: £718m).

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions totalling £155m (2009: £144m) are determined by the Executive Board, having regard to the working capital needs of the business. They are set by reference to an individual member's equity unit profit share and are repayable following the member's retirement.

The Group's bank facilities totalled £278m at the year-end (2009: £262m), with the Group's principal facility renewed in June 2009 under a £250m three-year arrangement that expires in June 2012. The Group's facilities are spread across a number of banks and are maintained at a level sufficient to meet the expected peak cash requirements of the business.

Our treasury focus is on ensuring there are sufficient funds available to finance the business and on managing foreign currency exposure. Surplus cash is invested in short-term money market deposits. Hedging is undertaken to reduce risk, but no speculative activity is permitted.

Members' profit shares

Members are remunerated solely out of the profits of the firm and are personally responsible for funding their pensions and other benefits. The final allocation and distribution of profit to individual members is made by the Executive Board, once their performance has been assessed and the annual financial statements have been approved. The Supervisory Board approves the process and oversees its application.

Each member's profit share comprises three interrelated profit-dependent components:

- Responsibility income – reflecting the member's sustained contribution and responsibilities;
- Performance income – reflecting how a member and their team(s) have performed; and
- Equity unit income – reflecting the overall profitability of the firm.

Each member's performance income, which in the current year represents on average approximately 37% of their profit share (2009: 35%), is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the member's role. These objectives include ensuring that we deliver quality services and maintain our independence and integrity. There is transparency among the members over the total income allocated to each individual.

Drawings

The overall policy for members' drawings is to distribute a proportion of the profit during the financial year, taking into account the need to maintain sufficient funds to settle members' income tax liabilities and to finance the working capital and other needs of the business.

The Executive Board, with the approval of the Supervisory Board, sets the level of members' monthly drawings based on a percentage of their individual responsibility income.

Total tax contribution

Our firm makes a significant contribution to the UK public purse through the taxes paid by our business and employees. In the past year this amounted to £615m.

The Group contributes to UK Government finances through taxes borne and taxes collected. We pay a range of taxes including employment taxes, corporation tax, property taxes, indirect taxes and environmental taxes. Our largest tax borne is National Insurance contributions of £80m (2009: £82m), reflecting the fact that people are essential to our business. This tax is part of our total taxes borne of £136m (2009: £139m). In addition to taxes borne, the Group collected taxes on behalf of the Government of £479m (2009: £484m) comprising employment taxes and indirect taxes. These taxes are an indication of the value we add in society through our business activities. They demonstrate our wider economic impact and overall contribution to the economy. In addition to taxes paid in the UK, the Group has paid taxes in the Middle East which are not included in the figures below.

The majority of the Group's tax on profit and capital gains is borne directly by individual members and is therefore not reflected in the financial statements of the LLP or the Group. In the current year, members of the LLP bear income tax at broadly 40% on the first £150,000 of profit share and at 50% for amounts thereafter (2009: 40%), together with a further 1% National Insurance contribution. The Group administers the payment of these taxes and makes periodic distributions of profit to enable members to settle their tax liabilities.

Total tax contribution to 30 June 2010

	June 2010 £m	June 2009 £m
Business taxes paid		
Employers' NIC	80	82
Business rates	14	12
Corporation tax	28	32
PAYE/NIC on benefits	8	9
Insurance premium tax	1	1
Other	5	3
	136	**139**
Business taxes collected		
Net VAT	240	235
PAYE	190	201
Employees' NIC	49	48
	479	**484**

Creditor payment policy

We seek to agree commercial payment terms with our suppliers and, provided performance is in accordance with these terms, to make payments accordingly. The number of days outstanding between receipt of invoice and date of payment, calculated by reference to the amount owed in respect of the Group's trade payables at the year-end as a proportion of the total amounts invoiced by suppliers and overseas PwC member firms during the year, was 28 days (2009: 23 days).

Political donations

The firm does not make any cash donations to any political party or other groups with a political agenda. However, in the interests of the firm and its clients, we seek to develop and maintain constructive and balanced relationships with the main political parties. In pursuit of this objective, we may, subject to the agreement of the Executive Board, provide limited non-cash assistance to those parties in areas where we have appropriate expertise.

Areas of assistance may include observations on the improvement of legislation or proposed legislation, and the exchange of information relevant to effective policy development. In considering any assistance, the Executive Board has regard to the possible impact on clients of the firm and the firm's overall reputation. We provided some 3,800 hours of free technical support to political parties during the year (2009: 5,500 hours).

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of PricewaterhouseCoopers LLP during the year were Ian Powell, Richard Collier-Keywood, Keith Tilson and Owen Jonathan.

Going concern

The Executive Board has a reasonable expectation that the firm has adequate financial resources to meet its operational needs for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

Statement of members' responsibilities in respect of the financial statements

The Companies Act 2006, as applied to limited liability partnerships, requires the members to prepare financial statements for each financial year that give a true and fair view of the state of affairs of both PricewaterhouseCoopers LLP and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the members are required to:

- Select suitable accounting policies and then apply them consistently, subject to any changes disclosed and explained in the financial statements;
- 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 assume that the LLP or Group will continue in business.

The members are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006, as applied to limited liability partnerships. They are also responsible for safeguarding the assets of the LLP and Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are fulfilled by the Executive Board on behalf of the members. The Executive Board confirms that it has complied with the above requirements in preparing the financial statements.

Auditors

The independent auditor, Horwath Clark Whitehill LLP has indicated its willingness to be re-appointed.

On behalf of the Executive Board

Ian Powell

Ian Powell, Chairman
11 August 2010

We have audited the financial statements that comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated and LLP statements of financial position, consolidated and LLP statements of cash flows, consolidated and LLP 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 Chapter 3 of Part 16 of the Companies Act 2006, 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 2006, 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 Chairman, Managing partner, People, Sustainability and community, Governance, Financial (including the Members' report) and The PwC 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 of the state of affairs of the Group and the LLP as at 30 June 2010 and of the profit of the Group for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the Companies Act 2006, as applied to limited liability partnerships.

Steve Gale.

Steve Gale FCA
Senior Statutory Auditor

For and on behalf of
Horwath Clark Whitehill LLP
Statutory Auditor
London

11 August 2010

Consolidated income statement for the year ended 30 June 2010

	Notes	2010 £m	2009 £m	Increase (Decrease)
Turnover	1	2,331	2,248	4%
Expenses and disbursements on client assignments		(262)	(267)	
Net revenue		2,069	1,981	4%
Staff costs	2	(1,017)	(974)	4%
Depreciation, amortisation and impairment	3	(24)	(26)	
Other operating charges	3	(348)	(299)	16%
Operating profit		680	682	–
Finance income	4	76	90	
Finance expense	4	(91)	(84)	
Profit on ordinary activities before taxation		665	688	
Tax expense in corporate subsidiaries	5	(23)	(8)	
Profit for the financial year before members' profit shares		642	680	(6)%
Profit available for division among members	18	622	667	(7)%
Profit attributable to non-controlling interests	18	20	13	
Profit for the financial year		642	680	

Consolidated statement of comprehensive income for the year ended 30 June 2010

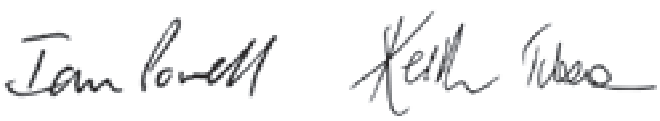
	Notes	2010 £m	2009 £m
Profit for the year		642	680
Other comprehensive income (expense)			
Cash flow hedges	20	8	(6)
Other comprehensive income (expense) for the year		8	(6)
Total comprehensive income for the year		650	674
Total comprehensive income for the year attributable to:			
Members		630	661
Non-controlling interests		20	13
Total comprehensive income for the year		650	674

There is no tax on the cash flow hedges component of other comprehensive income (expense).

Statements of financial position at 30 June 2010

	Notes	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Non-current assets					
Property, plant and equipment	7	81	67	1	2
Intangible assets	8	23	22	9	7
Goodwill	8	33	17	4	1
Investments	9	3	3	45	28
Retirement benefit assets	16	130	91	130	91
Deferred tax assets	17	4	4	–	–
		274	204	189	129
Current assets					
Trade and other receivables	10	663	605	536	523
Cash and cash equivalents	11	375	346	349	335
		1,038	951	885	858
Total assets		1,312	1,155	1,074	987
Current liabilities					
Trade and other payables	12	(495)	(435)	(335)	(331)
Borrowings	13	(30)	(6)	(5)	–
Provisions	14	(7)	(8)	(6)	(6)
Members' capital	15	(14)	(14)	(14)	(14)
		(546)	(463)	(360)	(351)
Non-current liabilities					
Provisions	14	(59)	(48)	(41)	(37)
Members' capital	15	(141)	(130)	(141)	(130)
Other non-current liabilities	12	(28)	(17)	–	–
		(228)	(195)	(182)	(167)
Total liabilities		(774)	(658)	(542)	(518)
Net assets		538	497	532	469
Members' equity					
Reserves	18	540	479	532	469
Non-controlling interests	18	(2)	18	–	–
Total members' equity		538	497	532	469
Total members' interests					
Members' capital	15	155	144	155	144
Reserves	18	540	479	532	469
Amounts due from members (included in trade and other receivables)	18	(18)	(18)	–	–
Total members' interests	18	677	605	687	613

The financial statements on pages 23 to 54 were authorised for issue and signed on 11 August 2010 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC303525, by:



Ian Powell ***Keith Tilson***

Statements of cash flows for the year ended 30 June 2010

	Group		LLP	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash flows from operating activities				
Cash generated from operations (note 22)	681	718	595	669
Tax paid by corporate subsidiaries	(28)	(32)	–	–
Net cash inflow from operating activities	653	686	595	669
Cash flows from investing activities				
Purchase of property, plant and equipment	(34)	(18)	–	–
Purchase of intangible assets	(6)	(9)	(4)	(3)
Purchase of other businesses (net of cash acquired)	(16)	(17)	–	(2)
Proceeds from sale of property, plant and equipment	1	2	–	–
Proceeds from sale of other businesses	–	1	–	–
Purchase of investments	–	–	(25)	(12)
Proceeds from sale of investments	–	2	–	2
Interest received	1	7	2	7
Net cash outflow from investing activities	(54)	(32)	(27)	(8)
Cash flows from financing activities				
Distributions to members	(570)	(681)	(570)	(677)
Distributions to non-controlling interests	(40)	(11)	–	–
Interest paid	(1)	(1)	–	–
Borrowings	30	–	5	–
Compensating payment by members	6	18	–	–
Capital contributions by members	42	45	42	45
Capital repayments to members	(31)	(17)	(31)	(17)
Net cash outflow from financing activities	(564)	(647)	(554)	(649)
Net increase in cash and cash equivalents	35	7	14	12
Cash and cash equivalents at beginning of year	340	333	335	323
Cash and cash equivalents at end of year (note 11)	375	340	349	335
Cash and cash equivalents comprise:				
Cash at bank and short-term deposits	375	346	349	335
Bank overdrafts	–	(6)	–	–
Cash and cash equivalents at end of year (note 11)	375	340	349	335

Statements of changes in members' equity for the year ended 30 June 2010

	Group			LLP
	Available for division among members £m	Attributable to non-controlling interests £m	Total £m	Total £m
Balance at beginning of prior year	499	9	508	485
Profit for the financial year	667	13	680	661
Other comprehensive expense for the year	(6)	–	(6)	–
Total comprehensive income	661	13	674	661
Non-controlling interests on acquisition	–	7	7	–
Allocated profit in financial year	(681)	(11)	(692)	(677)
Transactions with owners	(681)	(4)	(685)	(677)
Balance at beginning of year	479	18	497	469
Profit for the financial year	622	20	642	634
Other comprehensive income (expense) for the year	8	–	8	(1)
Total comprehensive income	630	20	650	633
Other movements	1	–	1	–
Allocated profit in financial year	(570)	(40)	(610)	(570)
Transactions with owners	(569)	(40)	(609)	(570)
Balance at end of year	540	(2)	538	532

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 with those parts of the Companies Act 2006 applicable to limited liability partnerships (LLPs) reporting under IFRS.

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

During the period, the Group adopted IFRS 3 (revised) 'Business Combinations', which had no impact on previously reported results.

The following changes to IFRS were also adopted during the period, which also had no impact on its results or financial position:

- IAS 1 (revised) 'Presentation of Financial Statements' requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity' in a consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard.
- IAS 27 (revised) 'Consolidated and Separate Financial Statements' 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.
- IFRS 8 'Operating Segments' does not apply to the Group and no voluntary disclosures have been made in these financial statements.

As permitted by section 408 of the Companies Act 2006, as applied to LLPs, no separate income statement is presented for the LLP.

Future requirements

The following IFRS and IFRIC interpretations have been issued by the IASB. IFRS 9 'Financial Instruments' has yet to be endorsed by the European Union. They are likely to affect future financial statements of the Group, but their impact is not expected to be material:

- IAS 24 (revised) 'Related Party Disclosures' is effective for the accounting period to June 2012. The revised standard clarifies the definition of a related party.
- An amendment to IFRIC 14 regarding 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' is effective for the accounting period to June 2012. The amendment permits a voluntary prepayment of a minimum funding requirement to be recognised as an asset.
- IFRS 9 'Financial Instruments' is effective for the accounting period to June 2014. The standard is the first step in the project to replace IAS 39 'Financial Instruments: Recognition and Measurement' and covers the classification and measurement of financial assets. The IASB intends to expand IFRS 9 to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting to become a complete replacement of IAS 39 by the end of 2010.

Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS 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.

1 Accounting policies continued

The principal 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 and goodwill 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, inflation 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.

Consolidation

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

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary undertaking is the fair values of the assets transferred and the liabilities incurred by the Group, including those from any contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Turnover

Turnover represents amounts recoverable from clients for professional services provided during the year, excluding Value Added Tax. The Group recognises turnover when the amount can be reliably measured and it is probable that future economic benefits will flow.

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 statement of financial position date.

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

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 furniture	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.

1 Accounting policies continued

Intangible assets
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.

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.

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.

Impairment of non-financial assets
Goodwill is not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that have suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (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. Lease incentives are also recognised on a straight-line basis as a reduction of rental expense over the lease term or to the first break clause where applicable.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each finance lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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.

1 Accounting policies continued

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 statement of financial position 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 recognised within finance income or expense over the expected average remaining service lives of the employees participating in the scheme.

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 PricewaterhouseCoopers United Kingdom Partnership, have agreed to pay pension annuities and other post-retirement payments to certain former partners of that partnership and the widows and dependants of deceased former partners. These annuities and other post-retirement payments 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 non-controlling 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 the discount is presented in the income statement as a finance 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 statement of financial position 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.

1 Accounting policies continued

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 statement of financial position 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 pounds 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 statement of financial position 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.

Financial instruments
Financial instruments are initially recognised at fair value. 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 cost less impairment.

Unquoted investments with no reliable measure of fair value are stated at 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 recognised initially at fair value and subsequently measured at amortised cost less 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 measured at fair value, is repayable on members' retirement. This is classified as a financial 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.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income or expense within the statement of comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

All other derivatives are designated as available-for-sale financial assets or liabilities, with all movements in their fair value being recognised directly in the income statement.

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.

1 Accounting policies continued

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 corporate taxes 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 statement of financial position 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 statement of financial position date and expected to apply in the periods in which the temporary differences reverse.

2 Staff costs

Group

	2010 £m	2009 £m
Salaries, including termination benefits of £13m (2009: £18m)	870	835
Social security costs	89	83
Pension costs (note 16)		
– defined contribution schemes	41	38
– current service cost of defined benefit pension schemes	17	18
	1,017	974

The average monthly number of employees during the year was 16,533 including practice support staff of 3,513 (2009: 15,200 including practice support staff of 3,510).

LLP

There were no employees in the LLP during the year (2009: nil).

3 Other operating costs

Depreciation, amortisation and impairment

	2010 £m	2009 £m
Depreciation of property, plant and equipment (note 7)	18	22
Amortisation of intangible assets (note 8)	6	4
	24	26

Other operating charges

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

	2010 £m	2009 £m
Operating lease rentals:		
– land and buildings	80	69
– plant and machinery	10	12
	90	81

Total fees and expenses payable to the auditors Horwath Clark Whitehill LLP for the year ended 30 June 2010 were £0.4m (2009: £0.4m). Of these, audit fees relating to the LLP and Group consolidation were £0.3m (2009: £0.2m), and other services in respect of the audit of subsidiary companies and other statutory requirements were £0.1m (2009: £0.2m).

4 Finance income and expense

	2010 £m	2009 £m
Finance income		
Interest receivable	1	7
Expected return on pension scheme assets (note 16)	75	83
	76	90
Finance expense		
Interest payable	(1)	(1)
Unwinding of discount on provisions (note 14)	(2)	(1)
Amortisation of actuarial losses on retirement benefits (note 16)	(10)	–
Interest cost on pension scheme obligations (note 16)	(78)	(82)
	(91)	(84)
Net finance (expense) income	(15)	6

5 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 personal liability of individual members.

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

	2010 £m	2009 £m
Current tax on income of corporate subsidiaries for the period	29	31
Compensating payment due from LLP members	(6)	(18)
Deferred tax movements (note 17)	–	(5)
Tax expense in corporate subsidiaries	23	8

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

	2010 £m	2009 £m
Profit on ordinary activities of corporate entities before tax	20	11
Tax expense at UK standard rate of 28% (2009: 28%)	6	3
Impact of items not deductible for tax purposes	5	6
Transfer pricing charge not met by compensating payment from members	12	–
Adjustment to tax charge in respect of prior years	–	(1)
	23	8

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 was fully met by compensating payments made by LLP members direct to the relevant subsidiaries in the prior year. In the current year the cost was only partly met by LLP members, with the balance being met by the subsidiary undertaking itself.

6 Members' profit shares

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

The average monthly number of LLP members during the year was:

	2010 Number	2009 Number
UK members	820	858
Members on secondment overseas	25	21
	845	879

During the year, 25 members (2009: 21 members) were on secondment overseas. Excluding these members the average profit per member was £759,000 (2009: £777,000), calculated by dividing the total profit available for division among members by the average number of members in the UK. The amount invested by all members in the business, represented by total members' interests at 30 June 2010, divided by the number of members at that date, amounts to an average investment per member of £822,000 (2009: £688,000).

The final allocation and distribution of profit to members is made after the financial statements have been approved.
The estimated profit attributable to the Chairman, the member with the largest entitlement to profit, is £3.6m (2009: actual profit £3.6m, estimated profit £3.3m).

The investment in the business at 30 June 2010 of the Chairman, represented by his estimated share of total members' interests, was £3.5m (2009: actual and estimated investment of £2.4m and £2.1m respectively).

7 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	139	165
Additions	–	–	18	18
Acquisition of subsidiaries	–	–	5	5
Disposals	–	–	(23)	(23)
At end of prior year	6	20	139	165
Additions	–	5	29	34
Disposals	–	–	(21)	(21)
At end of year	6	25	147	178
Accumulated depreciation				
At beginning of prior year	1	16	80	97
Depreciation charge for the year	–	1	21	22
Disposals	–	–	(21)	(21)
At end of prior year	1	17	80	98
Depreciation charge for the year	–	2	16	18
Disposals	–	–	(19)	(19)
At end of year	1	19	77	97
Net book amount at end of prior year	5	3	59	67
Net book amount at end of year	5	6	70	81

Group capital commitments contracted but not provided for at 30 June 2010 amounted to £41m (2009: £3m); there were no capital commitments in the LLP (2009: nil). Included in property, plant and equipment were £31m (2009: £11m) of assets under construction. The increases in capital commitments contracted but not provided and assets under construction relate principally to new office premises at 7 More London.

LLP

	Leasehold property £m
Cost	
At beginning and end of year	17
Accumulated depreciation	
At beginning of prior year	14
Depreciation charge for the year	1
At end of prior year	15
Depreciation charge for the year	1
At end of year	16
Net book amount at end of prior year	2
Net book amount at end of year	1

8 Intangible assets and goodwill

Group

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	–	54	54	4
Additions	–	9	9	–
Acquisition of subsidiaries	8	–	8	17
Disposals	–	(13)	(13)	–
At end of prior year	8	50	58	21
Exchange differences	1	–	1	–
Additions	–	6	6	–
Acquisition of subsidiaries (note 25)	–	–	–	16
Disposals	–	(1)	(1)	–
At end of year	9	55	64	37
Accumulated amortisation/impairment				
At beginning of prior year	–	45	45	4
Amortisation charge for the year	–	4	4	–
Disposals	–	(13)	(13)	–
At end of prior year	–	36	36	4
Amortisation charge for the year	2	4	6	–
Disposals	–	(1)	(1)	–
At end of year	2	39	41	4
Net book amount at end of prior year	8	14	22	17
Net book amount at end of year	7	16	23	33

LLP

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	–	3	3	–
Additions	1	3	4	1
At end of prior year	1	6	7	1
Additions	–	4	4	3
At end of year	1	10	11	4
Accumulated amortisation				
Amortisation charge for the year	1	1	2	–
At end of year	1	1	2	–
Net book amount at end of prior year	1	6	7	1
Net book amount at end of year	–	9	9	4

£30m of the Group's £33m of goodwill at 30 June 2010 is in respect of the firm's investment in the Middle East, which is considered a single cash-generating unit. The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows based on financial budgets approved by management. The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 13%.

8 Intangible assets and goodwill continued

The investment is a long-term strategic alliance, where returns are expected for the foreseeable future. Management have therefore used an assessment of cash flows, with an average annual revenue growth assumption of 15% for the first five years. Cash flows beyond the five year period are extrapolated using a 5% historic long-term GDP annual regional growth rate.

Other than that previously brought forward, there was no further impairment of the Group's or LLP's goodwill at the end of the current or prior year.

9 Investments

	Group	LLP		
	Other investments £m	Other investments £m	Investments in subsidiary undertakings £m	Total £m
Cost				
At beginning of year	3	3	25	28
Acquisitions	–	–	19	19
At end of year	3	3	44	47
Accumulated impairment				
At beginning of year	–	–	–	–
Impairment charge for the year	–	–	2	2
At end of year	–	–	2	2
Net book amount at end of prior year	3	3	25	28
Net book amount at end of year	3	3	42	45

Other investments comprise holdings in entities that provide services to member firms of the PwC network around the world.

The principal additional investment in subsidiary undertakings relates to the LLP's further investment in PricewaterhouseCoopers (Middle East Group) Limited.

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

10 Trade and other receivables

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Client receivables	344	305	305	272
Due from overseas PwC member firms	26	6	24	23
Trade receivables	370	311	329	295
Amounts due from members	18	18	–	–
Other receivables	29	22	7	12
Prepayments	42	40	14	16
Unbilled amounts for client work	204	214	186	200
	663	605	536	523

Group and LLP trade receivables are primarily denominated in sterling, with £57m being denominated in US dollars/US dollar linked currencies (2009: £58m) and £11m being denominated in euros (2009: £6m). 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.

10 Trade and other receivables continued

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

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
30 days or less, fully performing	240	218	218	203
31 to 180 days, past due and fully performing	126	98	109	95
More than 180 days, past due and impaired	21	16	16	15
Impairment provision	(17)	(21)	(14)	(18)
	370	311	329	295

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

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Balance at beginning of year	(21)	(15)	(18)	(14)
Charged to the income statement	(6)	(17)	(2)	(15)
Released unused during the year	3	2	1	2
Utilised during year	7	9	5	9
Balance at end of year	(17)	(21)	(14)	(18)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

11 Cash and cash equivalents

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Cash at bank and in hand	27	20	1	9
Short-term deposits	348	326	348	326
	375	346	349	335

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Cash and cash equivalents	375	346	349	335
Bank overdrafts (note 13)	–	(6)	–	–
	375	340	349	335

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

12 Trade and other payables

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Current				
Trade payables	57	47	–	–
Amounts owed to Group undertakings	–	–	228	223
Other payables including taxation and social security (see below)	131	118	30	32
Accruals	230	199	9	11
Progress billings for client work	77	71	68	65
	495	435	335	331

12 Trade and other payables continued

Group and LLP trade and other payables are primarily denominated in sterling, with £30m being denominated in US dollars/US dollar linked currencies (2009: £34m) and £9m being denominated in euros (2009: £13m). 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 PwC member firms totalling £44m (2009: £32m).

Other current payables including taxation and social security comprise:

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Corporation tax	16	15	–	–
Other taxes and social security	80	69	–	–
Other payables	35	34	30	32
	131	118	30	32

Other non-current liabilities of £28m (Group) mainly represent capital loans provided by non-controlling interest partners in subsidiary undertakings consolidated into the Group (2009: £17m).

13 Borrowings

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Current				
Bank overdrafts (note 11)	–	6	–	–
Bank borrowings	12	–	–	–
Other loans	18	–	5	–
	30	6	5	–

Both the Group and the LLP's borrowings are denominated in US dollars.

The carrying amounts of short-term borrowings approximate their fair value.

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	4	24	28	56	24	19	43
Income statement							
– Charge for the year	3	12	7	22	11	6	17
– Released unused during the year	–	(3)	(1)	(4)	(3)	(1)	(4)
– Unwinding of discount	–	–	2	2	–	1	1
Actuarial losses	2	–	–	2	–	–	–
Exchange differences	1	–	–	1	–	–	–
Cash payments	(1)	(4)	(8)	(13)	(4)	(6)	(10)
Balance at end of year	9	29	28	66	28	19	47

14 Provisions continued

Disclosed as:

	Group 2010 £m	Group 2009 £m	LLP 2010 £m	LLP 2009 £m
Current	7	8	6	6
Non-current	59	48	41	37
	66	56	47	43

Annuities

The provision for annuities reflects the present value of commitments by certain subsidiary undertakings, principally in relation to the Middle East, 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 annuity liabilities are an assumed retirement age of 57, with a discount rate of 5.2% 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 4.38% (2009: 6.42%). The onerous lease provision covers residual lease commitments up to the end of the lease (maximum length remaining on any onerous lease is five years) and is after allowing for existing or expected sublet rental income.

15 Members' capital

	Group and LLP £m
Balance at beginning of year	144
Contributions by members	42
Repayments to members	(31)
Balance at end of year	155

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 statement of financial position date. Total members' capital analysed by repayable dates is as follows:

	Group and LLP 2010 £m	Group and LLP 2009 £m
Current	14	14
Non-current	141	130
	155	144

The book value of members' capital liabilities (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 £41m (2009: £38m) were recognised by the Group in respect of defined contribution schemes. Costs of defined contribution schemes in the LLP were nil (2009: 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 these enhanced 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.

The firm has recently announced its intention to close both defined benefit pension scheme arrangements to future accrual with effect from 5 April 2011. The firm is currently consulting with the affected employees.

Assumptions

The principal actuarial assumptions used were as follows:

	30 June 2010	30 June 2009	30 June 2008
Discount rate	5.31%	6.15%	6.65%
Inflation	3.20%	3.30%	3.70%
Expected rate of increase in salaries	3.20%	3.30%	4.70%
Expected rate of increase in pensions in payment	2.60%	2.80%	3.00%
Expected return on PwC PF assets	5.80%	6.40%	6.70%
Expected return on DH&S Plan assets	6.03%	6.65%	7.05%

At 30 June 2010, 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 2009 valuation. The following table illustrates the actual life expectancy for a current pensioner member aged 65 at 30 June 2010 and a future pensioner member aged 45 at 30 June 2010:

	2010		2009	
	PwC PF Years	DH&S Plan Years	PwC PF Years	DH&S Plan Years
Life expectancy of current pensioners at age 65				
– male	22.7	22.7	22.6	22.6
– female	25.5	25.5	25.4	25.4
Life expectancy of future pensioners at age 65				
– male	24.7	24.7	24.6	24.6
– female	27.1	27.1	27.0	27.0

16 Retirement benefits continued

Income statement

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

	2010 PwC PF £m	2010 DH&S Plan £m	2010 Total £m	2009 PwC PF £m	2009 DH&S Plan £m	2009 Total £m
Operating cost						
Current service cost	(14)	(3)	(17)	(14)	(4)	(18)
Finance income and expense						
Expected return on pension scheme assets	47	28	75	53	30	83
Interest on pension scheme defined benefit obligations	(49)	(29)	(78)	(53)	(29)	(82)
Amortisation of actuarial losses	(5)	(5)	(10)	–	–	–
	(21)	(9)	(30)	(14)	(3)	(17)

Statement of financial position

The amounts recognised in the Group and LLP statements of financial position are as follows:

	2010 PwC PF £m	2010 DH&S Plan £m	2010 Total £m	2009 PwC PF £m	2009 DH&S Plan £m	2009 Total £m
Fair value of scheme assets	873	493	1,366	735	410	1,145
Present value of defined benefit obligations	(960)	(570)	(1,530)	(806)	(479)	(1,285)
Net deficit	(87)	(77)	(164)	(71)	(69)	(140)
Unrecognised actuarial losses	165	129	294	130	101	231
Net retirement benefit asset	78	52	130	59	32	91

An analysis of the movement in the net retirement benefit asset recognised in the statement of financial position is as follows:

	2010 PwC PF £m	2010 DH&S Plan £m	2010 Total £m	2009 PwC PF £m	2009 DH&S Plan £m	2009 Total £m
At beginning of year	59	32	91	55	7	62
Current service cost	(14)	(3)	(17)	(14)	(4)	(18)
Finance income	47	28	75	53	30	83
Finance expense	(49)	(29)	(78)	(53)	(29)	(82)
Contributions by employer	40	29	69	18	28	46
Amortisation of actuarial losses	(5)	(5)	(10)	–	–	–
At end of year	78	52	130	59	32	91

16 Retirement benefits continued

Scheme assets

The changes in defined benefit scheme assets were as follows:

	2010			2009		
	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	735	410	1,145	792	415	1,207
Expected return on scheme assets	47	28	75	53	30	83
Actuarial gains (losses) on assets	71	38	109	(109)	(52)	(161)
Contributions by employer	40	29	69	18	28	46
Benefits paid	(20)	(12)	(32)	(19)	(11)	(30)
Fair value of scheme assets at end of year	873	493	1,366	735	410	1,145

The actual return on scheme assets in the year ended 30 June 2010 was a £184m gain (2009: £78m loss).

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

	30 June 2010	30 June 2009	30 June 2008
Equities	7.70%	7.90%	8.00%
Bonds	5.30%	6.15%	6.65%
Gilts	4.20%	4.40%	4.83%
Cash	3.90%	4.40%	5.00%

The expected return on assets is based on a projection of long-term investment returns for each asset class, with separate analysis 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 2010			Value at 30 June 2009		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
Equities	370	241	611	368	192	560
Bonds	127	80	207	123	148	271
Gilts	314	69	383	230	66	296
Cash	62	103	165	14	4	18
	873	493	1,366	735	410	1,145

16 Retirement benefits continued

Defined benefit obligations

The changes in defined benefit obligations were as follows:

	2010			2009		
	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	(806)	(479)	(1,285)	(803)	(446)	(1,249)
Current service cost	(14)	(3)	(17)	(14)	(4)	(18)
Interest cost	(49)	(29)	(78)	(53)	(29)	(82)
Actuarial gains (losses) on obligations	(111)	(71)	(182)	45	(11)	34
Benefits paid	20	12	32	19	11	30
Present value of defined benefit obligation at end of year	(960)	(570)	(1,530)	(806)	(479)	(1,285)

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:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
PwC PF					
Fair value of scheme assets	873	735	792	813	735
Present value of defined benefit obligation	(960)	(806)	(803)	(824)	(794)
Net deficit	(87)	(71)	(11)	(11)	(59)
Actuarial experience gains (losses) on assets	71	(109)	(85)	13	46
Actuarial gains (losses) on obligations due to experience	16	(4)	(2)	(1)	7
DH&S Plan					
Fair value of scheme assets	493	410	415	423	396
Present value of defined benefit obligation	(570)	(479)	(446)	(470)	(472)
Net deficit	(77)	(69)	(31)	(47)	(76)
Actuarial experience gains (losses) on assets	38	(52)	(44)	(6)	12
Actuarial gains (losses) on obligations due to experience	5	(2)	3	8	(7)

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	42	24	66
0.25% increase to salary increases	(5)	(3)	(8)
0.25% increase to inflation	(26)	(14)	(40)
One year increase to life expectancy	(19)	(12)	(31)

16 Retirement benefits continued

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 2010 used in these financial statements. For the year ended 30 June 2010, the actuaries were 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 2010 were £69m, including £50m of additional contributions. The Group expects to pay contributions next year of £51m, including additional contributions of £32m.

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% (2009: 28%).

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

	2010 £m	2009 £m
Balance at beginning of year	4	2
Movement in year	–	2
Balance at end of year	4	4

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

	2010 £m	2009 £m
Balance at beginning of year	–	(3)
Deferred income and other temporary differences	–	3
Balance at end of year	–	–

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.

	2010 £m	2009 £m
Net deferred tax asset (liability) at beginning of year	4	(1)
Movement in year	–	5
Net deferred tax asset at end of year	4	4

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 includes legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at 30 June 2010 and, therefore, are not included in these financial statements. If these changes had applied, they would not have been sufficiently material to alter the deferred tax disclosures shown above.

There was no deferred tax arising in the LLP.

18 Total members' interests

Group

	Members' interests				Non-controlling interests	
	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m	Reserves £m	Amounts due to (from) non-controlling interests £m
Balance at beginning of prior year	116	499	(19)	596	9	–
Profit for the prior 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)	–	–
Non-controlling 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 beginning of year	144	479	(18)	605	18	–
Profit for the current year available for division among members	–	622	–	622	20	–
	144	1,101	(18)	1,227	38	–
Allocated profit	–	(570)	570	–	(40)	40
Movement on cash flow hedges	–	8	–	8	–	–
Introduced by members	42	–	–	42	–	–
Repayment of capital	(31)	–	–	(31)	–	–
Drawings and distributions	–	–	(570)	(570)	–	(40)
Other movements	–	1	–	1	–	–
Balance at end of year	155	540	(18)	677	(2)	–

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	116	485	–	601
Profit for the prior 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 beginning of year	144	469	–	613
Profit for the current year available for division among members	–	634	–	634
	144	1,103	–	1,247
Allocated profit	–	(570)	570	–
Introduced by members	42	–	–	42
Repayment of capital	(31)	–	–	(31)
Drawings and distributions	–	–	(570)	(570)
Other movements	–	(1)	–	(1)
Balance at end of year	155	532	–	687

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 6. 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:

	2010		2009	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one year	63	6	65	6
1–2 years	58	4	63	3
2–3 years	61	1	56	1
3–4 years	55	–	59	–
4–5 years	50	–	54	–
More than five years	461	–	493	–

Commitments in respect of land and buildings include long-term obligations relating to 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. In addition to members' capital and capital loans provided by non-controlling interests, at 30 June 2010, the Group had £1m (2009: £2m) of long-term borrowings included in Other non-current liabilities.

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 2010 with six leading international banks total £278m (2009: £262m), with the main Group £250m facility due to expire in June 2012.

20 Financial instruments continued

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+.

The Group's other significant credit risk relates to receivables from clients. Exposure to that risk is monitored on a routine basis and credit evaluations are performed on clients as appropriate. The Group's exposure to that risk is influenced mainly by the individual characteristics of each customer. Risk is managed by maintaining close contact with each client and by routine billing and cash collection for work done.

Interest rate risk

The Group's borrowings and any surplus cash balances are held at variable interest rates linked to London interbank offered rate (LIBOR). Outstanding borrowings were undertaken in US dollars to reflect the composition of the Group's assets that the borrowings are funding. A movement in the interest rate of 50 basis points on borrowings and surplus cash balances through the year would have resulted in a change in pre-tax profit of £1m.

Foreign currency risk

The major part of the Group's income and expenditure is in sterling. Other than the Middle East business, fees and costs denominated in foreign currencies are mainly in connection with professional indemnity insurance and transactions with overseas PwC 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.

Financial assets and liabilities by category

	2010				2009			
	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	663	–	–	–	605	–	–	–
Investments	–	3	–	–	–	3	–	–
Cash and cash equivalents	375	–	–	–	346	–	–	–
Liabilities								
Trade and other payables	–	–	–	495	–	–	–	435
Borrowings	30	–	–	–	6	–	–	–
Members' capital	–	–	–	155	–	–	–	144
Other non-current liabilities	–	–	–	28	–	–	–	17
Forward foreign-exchange contracts								
Cash flow hedges	–	–	1	–	–	–	(7)	–

20 Financial instruments continued

Interest rate profile of financial assets and financial liabilities

Group and LLP short-term deposits with banks of £348m (2009: £326m) 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 £2m (2009: £3m).

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 assets at 30 June 2010 of £9m (2009: net denominated liabilities of £1m) and net euro denominated liabilities at 30 June 2010 of £6m (2009: net denominated liabilities of £7m).

Derivative financial instruments

Forward foreign-exchange contracts all mature in less than a year, and have been valued using forward market prices prevailing at the statement of financial position date. The ineffective portion of cash flow hedges recognised in the income statement was a £1m gain (2009: nil). The effective portion of cash flow hedges recognised directly in other comprehensive income was a £1m gain (2009: £7m loss). The notional principal amount of forward foreign-exchange contracts was £81m (2009: £50m).

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

	2010 £m	2009 £m
Forward foreign-exchange contracts		
Balance at beginning of year	(7)	(1)
Fair value gains and losses on cash flow hedges recycled from other comprehensive income to the income statement	7	1
Fair value gains and losses recognised in other comprehensive income	1	(7)
Balance at end of year	1	(7)

The movements in the income statement relating to derivatives held by the Group are as follows:

	2010 £m	2009 £m
Forward foreign-exchange contracts		
Fair value gains and losses on cash flow hedges recycled from other comprehensive income to the income statement	7	1
Ineffective portion of fair value gains and losses on cash flow hedges recognised in the income statement	1	–
Fair value gains and losses on available-for-sale derivatives	(1)	1

Interest rate swap contracts all mature in less than three years, and have been valued using market prices prevailing at the statement of financial position date. The related fair values recognised in the income statement were nil (2009: 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.

The LLP has entered into a US dollar 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 a subsidiary company, which is included in the consolidated statement of financial position. At the year-end, the relevant subsidiary company bank borrowings were nil (2009: nil).

22 Reconciliation of profit after tax to operating cash flows

	Group		LLP	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit after taxation	642	680	634	661
Tax on profits	23	8	–	–
Adjustments for:				
– Depreciation and amortisation	24	26	3	1
– Impairment of investment	–	–	2	–
– Loss on disposal of property, plant and equipment	1	–	–	–
– Gain on disposal of businesses	–	(1)	–	–
– Finance income	(76)	(90)	(77)	(90)
– Finance expense	91	84	89	83
Changes in working capital (excluding the effects of acquisitions)				
– (Increase) decrease in trade and other receivables	(58)	59	(15)	67
– Increase (decrease) in trade and other payables	67	(16)	8	(27)
– Increase (decrease) in provisions and other payables	19	(4)	3	2
– Increase in retirement benefit assets	(52)	(28)	(52)	(28)
Cash generated from operations	681	718	595	669

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. In accordance with IAS 27 the Group has control as a result of owning 100% of the ordinary shares. The 'B' shares provide certain income access rights to the local Middle East partners.

In accordance with 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 non-controlling interest in the consolidated financial statements, as is the non-controlling interest profit and capital attributable to members of PricewaterhouseCoopers CI LLP and the Middle East practice partners of PricewaterhouseCoopers (Middle East Group) Limited.

Companies	Principal activity
PricewaterhouseCoopers Services Limited	Service company and employment of staff
PricewaterhouseCoopers (Resources)	Employment of staff
PricewaterhouseCoopers (Middle East Group) Limited	Professional services
Sustainable Finance Limited	Professional services
PricewaterhouseCoopers Overseas 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 2010, the LLP provided services to the United Kingdom Partnership to the value of £248,000 (2009: £289,000) under these arrangements. There were no balances outstanding at the end of the year (2009: 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 and certain other post-retirement payments 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 2010 (2009: £200,000). There were no balances outstanding at the end of the year (2009: 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 £72m (2009: £64m).

Key management compensation
The Executive Board represents key management personnel for the purposes of the Group's related party disclosure reporting. The final allocation and distribution of profit to members is made after the financial statements have been approved. The estimated profit attributable to the ten (2009: ten) members of the Executive Board, comprising their estimated share of the Group's profit available for distribution among members, amounts to £19.7m (2009: actual profit attributable of £19.8m, estimated profit attributable of £18.5m).

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:

	2010 £m	2009 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	1,233	1,227
Other subsidiaries	14	4
Provision of services to related parties		
Other subsidiaries	(14)	(3)
	1,233	1,228

	2010 £m	2009 £m
Year-end balances with related parties		
PricewaterhouseCoopers Services Limited	(234)	(196)
Other subsidiaries	6	(27)
	(228)	(223)

25 Acquisitions of subsidiaries

In the prior year, the Group acquired a 100% interest in Sustainable Finance Limited, a specialist consulting Group, for a consideration of £3m. It also acquired 100% of the ordinary shares in PricewaterhouseCoopers (Middle East Group) Limited, a holding company for certain PwC Middle East practices, as part of a strategic alliance, for consideration totalling £15m.

On 31 October 2009, the Group acquired the business of Al Yasmeen Consulting LLC (AYC LLC, formerly PricewaterhouseCoopers Jordan WLL) for a total consideration of £1m.

Effective 19 November 2009, further Middle East business operations were acquired by the Group and integrated into the PwC Middle East practice. The fair value of the consideration was £11m.

On 31 December 2009, the Group acquired a 100% interest in Paragon Consulting Holdings Limited (PCHL) and its subsidiaries for a total consideration of £5m, including deferred consideration of £1m. Paragon is an enterprise performance management technology business. Subsequent to the acquisition, the majority of Paragon's business assets and liabilities were transferred to the LLP for a consideration of £7m.

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. The values of assets, liabilities and contingent liabilities recognised on acquisition are estimated fair values which approximate to pre-acquisition carrying amounts in all cases.

Out of total goodwill of £16m, £4m is attributable to the value of Paragon's existing workforce; £1m is attributable to the value of AYC LLC's existing workforce and the remaining £11m is attributable to the value of the workforce of the Middle East business operations acquired. None of the above meets the criteria to be separately recognised from goodwill.

25 Acquisitions of subsidiaries continued

The acquisition of AYC LLC, Middle East business operations and PCHL had the following effect on the Group's assets and liabilities at acquisition:

	Fair Value AYC LLC £m	Fair Value Middle East business operations £m	Fair Value PCHL £m	Total recognised on acquisition £m
Trade and other receivables	1	–	2	3
Trade and other payables	(1)	–	(1)	(2)
Net identifiable assets, liabilities and contingent liabilities acquired	–	–	1	1
Goodwill on acquisition	1	11	4	16
Total purchase consideration	1	11	5	17
Consideration satisfied by:				
Cash	1	11	4	16
Deferred consideration	–	–	1	1
Total purchase consideration in cash (net of cash and cash equivalents acquired)	1	11	5	17

The PwC network

UK
40
offices

Global
151
countries
757
locations

PwC people
163,545

North America and the Caribbean
39,142
people

Central and Eastern Europe
6,860
people

Western Europe
58,457
people

Asia
32,756
people

South and Central America
10,074
people

Middle East and Africa
9,427
people

Australasia and Pacific Islands
6,829
people

Figures taken from the
PwC 2009 Global Annual Review.

Unless otherwise indicated, either expressly or by the context, we use the word 'partner' to describe a member of PricewaterhouseCoopers LLP.

Registered office: 1 Embankment Place, London, WC2N 6RH.

Registered number: OC 303525.

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