

Annual Report 2014

Responsible profitable growth

Our Annual Report takes a look at how we've created value for our clients, our people and our communities.

Our business at a glance

Our clients

We work with over

25,000

clients, helping them create the value they're looking for



We're wherever our clients are

We have **53** offices across the UK, the Channel Islands and the Middle East



Supporting our communities¹



51,535

Hours volunteered by our people in the working day

Our people



18,000 people



854 Partners¹

Who has joined us¹



Over **90,000** people applied for a job with us this year

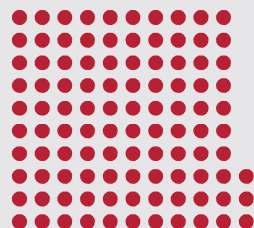


Over **1,300** graduates and school leavers joined us

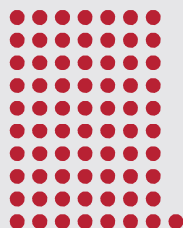


1,400 experienced people also joined us this year

Our revenues



Assurance
£1,025m **+6%**



Tax
£714m **+5%**



Deals
£580m **+3%**



Consulting
£495m **+4%**

+5%

Group
£2,814m

¹ UK only; all other data is for the Group.

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The PwC UK Group

In this report, we look at how we've created value for our clients, our people and our communities over the past year. We examine our performance, assess what's happening in the professional services sector and discuss our plans for the future.

The PricewaterhouseCoopers LLP Group consolidated within these accounts includes PricewaterhouseCoopers' member firms in the UK, Channel Islands and the Middle East. See page 55 for further details of the Group's principal subsidiary undertakings.

The Group is managed through a UK Executive Board that takes prime responsibility for the UK and Channel Islands' aspects of the firm, managed through four lines of services – Assurance, Tax, Deals and Consulting – and through a Middle East Leadership Team that focuses on the Middle East aspects. The financial year runs from 1 July 2013 to 30 June 2014.

The Group is part of the broader PwC network that helps organisations and individuals create the value they're looking for. It's a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality assurance, tax, deals and consulting services.

A message from Ian Powell, our Chairman and Senior Partner



I am delighted to welcome you to our 2014 Annual Report. PwC has performed well over the last year. Our revenues grew by 5% to £2.8bn, a strong performance that reflects demand for our services across a broad client range. We have pursued our vision of doing the right thing for our clients, our people and our communities. Over the last six years we have continued to transform and invest in our business through international alliances, acquisitions, innovation and new products, and importantly through the retention, development and recruitment of a record number of talented people. As the economy begins to improve, we are very well positioned to work with our clients as they focus on growth.

We play an important role in the UK economy in many ways and during the year we have focused particularly on supporting small business and enabling UK exporters to access key markets. Responsible, profitable growth requires us to be clear about how we do business, our strategy to serve clients and how we respond to an increasingly dynamic market.

How we do business

This year the firm will be 165 years old and with that history we recognise our responsibility as custodians of a business that contributes to society in many different ways. We are committed to remaining relevant and significant in an exciting and fast-changing market. Our purpose is clear – to build trust in society and solve important problems. It describes the work we do today, and guides our decision-making for tomorrow. To deliver on this purpose our business needs to continually innovate and invest, and also to make choices aligned with our values, which see the firm taking a medium- and long-term view.

Supporting the UK's economic growth

Our firm is an integral part of the UK's highly successful professional and business support services sector, which contributes more to gross domestic product than either financial services or manufacturing, and has grown throughout the recent economic downturn. Our people and skills are engaged on many of the key issues that are important if the UK is to prosper. We have pursued a strategy that has given us the brand and people to convene the debate on many of the key issues the country faces. In 2014, we encouraged a broad spectrum of people to contribute their views on tax regulations and systems under the concept 'Paying for Tomorrow'. Tax remains an important and emotive topic, and we hope that this conversation will stimulate and inform the debate as the call for greater transparency of the tax system increases.

Aligned with this initiative, we have again been transparent in this Annual Report regarding our own tax arrangements. For our 2014 financial year we will have paid and collected almost £1bn of tax with an effective rate of tax for our partners of 47% on the profits of our business.

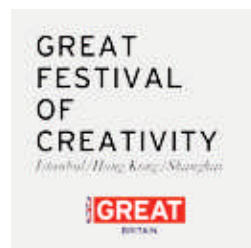
More widely we have played a leading role in supporting British companies to showcase their business to the world by sponsoring and supporting both the GREAT Festival of Creativity held in Istanbul and the International Festival of Business held in Liverpool.

Over

£200m

investment in 2014

strategy&



Serving our clients

Over the last six years, economic conditions have been difficult, but throughout, I'm pleased to say that our strategy to hold our nerve and to invest deep into the recession has proven successful. In total, we have invested more than £750m during this period in growing and transforming our business. In 2014, we have continued to build a balanced and sustainable business with further direct investment of over £200m.

During the year, the PwC network acquired Strategy& (formerly Booz & Co), which sees us combine one of the leading international strategy and deal consulting businesses with PwC's unparalleled capabilities in supporting organisations through change from strategy through to implementation. This combination is already providing value for our clients.

We also acquired Mokum, a leading technology consultancy, and Geotraceability, a business providing assurance over supply chains. As certainty over the source of the food we eat has become increasingly important, Geotraceability has the unique potential to rebuild consumers' trust in the brands they use. We have also increased our capabilities in areas such as cyber security, data analytics and digital business. Halo, a technology platform that provides almost virtual real-time assurance, is already supporting clients in the asset management industry and is transforming our assurance business while having much wider applications for our clients.

All of these investments give our clients access to enhanced capabilities and offer our people greater development opportunities.

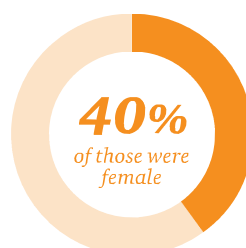
We operate with clients across the public and private sector all over the UK. Making sure that the UK has a balanced economy with world-class infrastructure is critical to our success and that of our clients. This year we have completed the renovation of our headquarters building at Embankment Place, winning the highest BREEAM accreditation for environmental credentials. We are proud to operate in London; it is a dynamic, world-leading city that is vital to the UK economy, but we also recognise the importance of our clients in other areas of the UK. In the last six years we have invested in our business across the country, and we believe we have the largest presence in local communities of any professional services firm.

As I talk to our leading clients I know that they are focused on emerging markets. Internationally, we see significant opportunities to use the capabilities that we have developed in the UK firm in these markets, so that the PwC network can support companies as they seek to invest. This has driven our strategy of building successful alliances with our firms in the Middle East and, most recently, with our firms in Central and Eastern Europe (CEE) and Africa. These alliances are exciting opportunities, both for PwC and our clients, but especially for the UK, in some of the fastest-growing regions of the world.



New partner diversity

There were 53 new partners promoted internally in the last year



Responding to the dynamic market

Our people

The market for talent continues to change, both in terms of the skills of the people we hire and where they come from. We continue to be a popular place to start, build and continue a career. In 2014, we received an amazing 90,000 applications for jobs, reflecting the strength of our brand and attractiveness of our firm, and recruited a record 2,700 people. Against a backdrop of concern over the availability of employment for students leaving university, we increased the number of graduates and school leavers we recruit to 1,300, and for a record eleventh year we were voted the best graduate employer. We have made our firm more accessible by attracting and retaining the best talent, open to all, regardless of their background. By the end of the year, we believe that we'll have more than 200 apprentices enrolled on what was the professions' first Higher Apprenticeship scheme, leading to qualification in Tax, Consulting and Assurance.

Our workforce must also reflect our communities, and therefore increasing diversity has been a key priority. We recently announced our new equity partners and are pleased to report that 40% of our internally promoted partners are women. Diversity in our leadership at the highest levels of the firm

is crucial and 25% of my current Executive Board are women. We have increased the number of women in senior leadership positions to 23%; despite this progress, we have much more to do. We also recognise that there are more aspects to diversity than gender and we need to do more to attract and support a more culturally diverse workforce.

Regulatory change

During 2014, we saw an increase in listed company audit tenders, primarily as a result of market sentiment, good governance and regulatory changes. I'm delighted that some of the world's most significant companies, such as HSBC Holdings plc, Vodafone plc and many others have selected PwC to be their auditors. However, we have also ceased to audit others and we look forward to supporting them through the Assurance, Tax, Deals and Consulting services that we can provide. We aim to work with the country's leading listed, private and public sector organisations, and with all clients who recognise the value we can bring.

Like many industries, we are subject to increasing regulatory scrutiny, particularly covering our statutory audits. Quality has been the key driving force behind our investments and we are delighted, but not complacent, with our record on audit quality, based on external regulatory review.

We operate with clients across the public and private sector all over the UK. M

-class infrastructure is critical to our success and that of our clients.

The European Commission has now enacted legislation that will alter the audit and advisory market for listed companies within the European Union (EU). As Member States implement the legislation over the next two years, we hope that individual regulators are coordinated to ensure that the outcome is easy to understand for our clients and does not unnecessarily increase costs on business.

These changes will have a significant impact on our business and on our share of the audit market; however, our balanced business model is resilient and we are confident that our strategy will see the continued growth of our firm over the coming years.

Outlook

In my six years as Chairman, the business landscape has been complex and uncertain. Throughout this period, we held our nerve and invested during the downturn to create a platform for the responsible, profitable growth we have achieved this year and which we believe we will sustain in the years ahead. I am particularly proud of the many opportunities that we have given to graduates and apprentices in recent years, and to the many individuals who have joined us to develop their careers.

We are optimistic about the economic outlook and confident that our firm is well-positioned to make a significant contribution to British business and society.

Our strategy for creating value

1. Our purpose

To build trust in society and solve important problems

Iconic

Our ambition is to become the iconic professional services firm, always front of mind, whenever professional services are mentioned.

Our vision

One Firm – doing the right thing for our clients, our people and our communities.

Who we are

Who we are is the essence of the culture at the heart of our firm. It brings our vision to life and sets out the behaviours we need to adopt individually and collectively to make the PwC Experience a reality.

P

Is are how we define the successful delivery of our strategy. Deli is measured through our balanced scorecard.

2. Our strategy

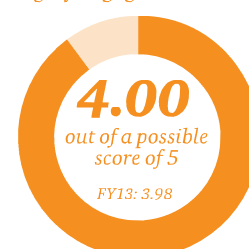


PwC Experience

To achieve our goals and remain ahead, we need to offer our clients and our people a distinctive experience. We embed the PwC Experience behaviours in everything we do.

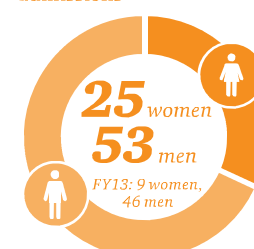
People engagement¹

This represents those people who are engaged / highly engaged



New partner admissions²

We had 78 new partner admissions



This year 40% of our internally promoted partners were women

Personal responsibility

Everyone must take personal responsibility to play their part in delivering the firm's strategy.

1 Figures based on internal staff 'youmatter' survey.

2 Figures for the year 2 July 2013 up to and including 1 July 2014.

3 The Brand Health Index survey is commissioned by PwC and conducted by a third-party research agency (Perspective Research Services). These results are taken from the May 2014 survey.

4 Measured in line with the London Benchmarking Group (LBG) principles.

5 Based on Defra guidelines May 2013. Prior year figures have been restated. See www.pwc.co.uk/corporatesustainability for details.

6 Includes UK and overseas group entities. All other KPIs refer to the UK only.

7 Now measured before the impact of both partner and corporate tax.

8 Figures based on direct client feedback. Prior years restated as client feedback via online surveys and telephone interviews included in 2014. See page 8 for further information including the newly published net promoter score.

3. Delivering our ambition

- We will compete by further strengthening relationships with our clients and responding swiftly to their needs with compelling propositions that solve their problems, create value and build trust.
- We will stand apart in the market through our culture of innovation and the distinctive skills and integrity of our people. We will continue to use the strength of our global network to deliver consistent and high-quality PwC Experience.
- We will attract, develop and engage the best people to create an agile workforce. We embrace diversity and value difference in our people. We have a common set of values and we believe in taking personal responsibility for doing the right thing.

4. Our key performance indicators

Leading firm

We want to be the leading professional services firm – number one in size and reputation.

Which of these comes to mind first as the one that...³

Has consistent high quality



Deliver edge advice



Based on the Brand Health Index. This is an independent survey, which benchmarks us on a range of criteria against our competitors every two years. It includes a sample of clients and prospective clients.

Time volunteered by our people⁴

51,535

hours in the working day
FY13 45,386 hours

Our CO₂e emissions⁵

84,301

tonnes
FY13 87,743

Growth

We want to remain the leading firm by revenue and continue to grow responsibly and profitably

2,814

£m

Up 5% this year: FY13 £2,689m, up 3%

Distributable profit per partner⁷

722,000

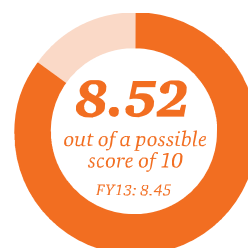
£

Up 2% this year: FY13 £711,000, up 3%

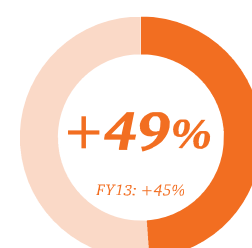
Quality⁸

Delivering an exceptional service and quality to our clients is an integral part of our strategy. These are two of the measures we use to monitor how we're doing.

Advocacy



Net Promoter Score



The things we do to create value

Clients

We innovate to help our clients grow and perform better, and we invest in our firm so that we're -placed to help our clients create the value they're looking for.

Delivering value and solving problems

We have a strong and diverse client base. Our aim is to help create the value our clients are looking for.

Our global scale and reach, combined with our specialist knowledge in local and regional markets, bring a rich diversity of skills, expertise and experience to our clients. Our clients include listed, private and entrepreneurial companies, government and third-sector organisations as well as private individuals.

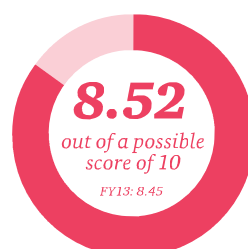
Our client service strategy is founded on bringing the best of PwC to our clients, establishing and developing strong relationships, and providing key insights to deliver value and solve important problems.

Deep industry and sector knowledge

Our industry focus enhances our effectiveness, enabling clients to benefit from access to our people's industry and technical knowledge, and their ability to tailor solutions to clients' specific needs.

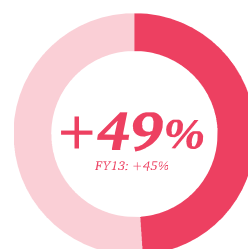
Advocacy¹

We asked our clients 'Based on your overall experience of PwC, how likely is it that you would recommend PwC to a peer or colleague looking for similar services?'



Net Promoter Score²

Using the same question, we look at Assignment Reviews completed in the 2014 financial year and take the number of people who are promoters (scoring us a 9 out of 10) minus the number of people who are detractors (scoring us 0-6).



Strong local presence

Our regional network is fundamental to our strategy. Our deep roots in many communities bring us closer to our clients and add local knowledge and wider capabilities. Each of our regional offices is able to tailor local business knowledge and expertise with the full scale and breadth of PwC's capabilities.



Riding high with Welcome to Yorkshire

In July this year, the Grand Départ of the Tour de France came to Yorkshire. The bid to host the Grand Départ was masterminded by tourism agency Welcome to Yorkshire, with PwC a key part of its support team. Visit www.pwc.co.uk/annualreport to read the full story.

1 Based on direct client feedback. Prior years restated as client feedback via online surveys and telephone interviews included in 2014

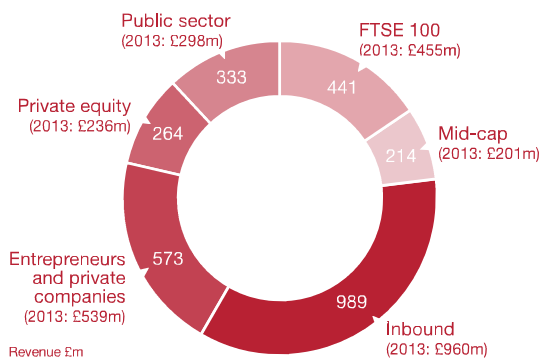
2 Net Promoter Score (NPS) measures the loyalty that exists between a provider and a consumer. The primary purpose of the NPS methodology is to evaluate customer loyalty to a brand or company, not to evaluate their satisfaction with a particular product or transaction. NPS can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter). An NPS that is positive (i.e. higher than zero) is felt to be good, and an NPS of +50% is excellent.

Who we work with

We have a broad and well-diversified business. We work with a wide range of clients across a variety of industries.

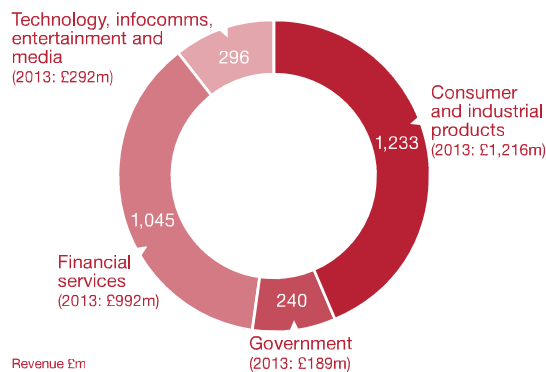
Segment analysis

One of the strengths of our business is the balanced nature of our portfolio. 20% of our revenue comes from work with entrepreneurs and private companies – more than the FTSE 100. And 35% of our business is from inbound clients whose ultimate headquarters are overseas – demonstrating the need for, and strength of, the PwC global network.



Industry analysis

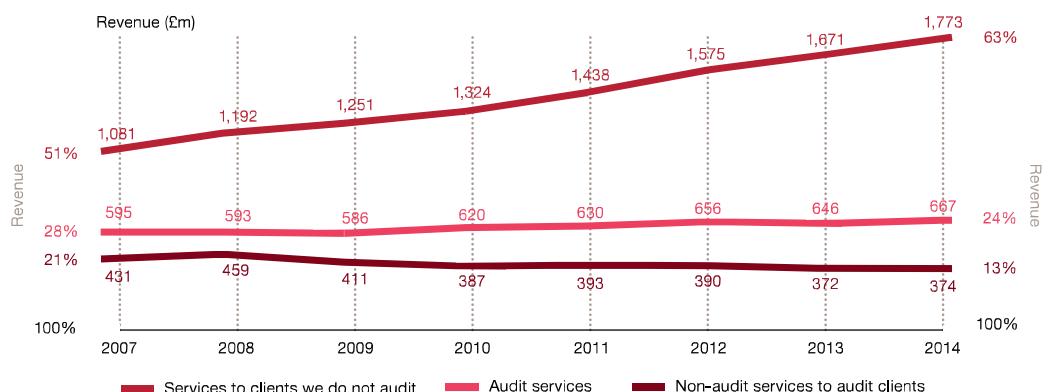
We work across a broad range of industries. In the past year we've worked with clients as diverse as Boohoo.com, Express Holdings, King, BAE Systems and Coca-Cola Enterprises.



35% of our business is from inbound clients whose ultimate headquarters are overseas, demonstrating the need for, and strength of, the PwC global network.

Service analysis

Over the past seven years we've seen a continued demand for services from clients where we are not the auditor.



Making our business stronger

We continue to invest in our core capabilities to deliver value to our clients as the market and business world evolves and changes. We are continuing to develop new services, both to help support and meet client needs, and to grow and expand our own business.

Data analytics

The explosion of digital data is revolutionising business. Organisations of every type are now expecting their business decisions to be based on robust data analytics as opposed to intuition and experience; decision-making has to be close to real time and deeply embedded into day-to-day operational processes.

Our Data Analytics team uses the latest analytic techniques to help clients understand their business and customers better and improve business effectiveness. The team is made up of people from each of our lines of services and client demand is making this area increasingly central to the digital services we offer.



Charlie McMurdie, former head of the Metropolitan Police central e-crime unit, joined us as a senior cyber crime adviser. Her vast experience, along with that of other specialists in the team, is helping us create the value our clients are seeking.

Cyber security: building confidence in your digital future

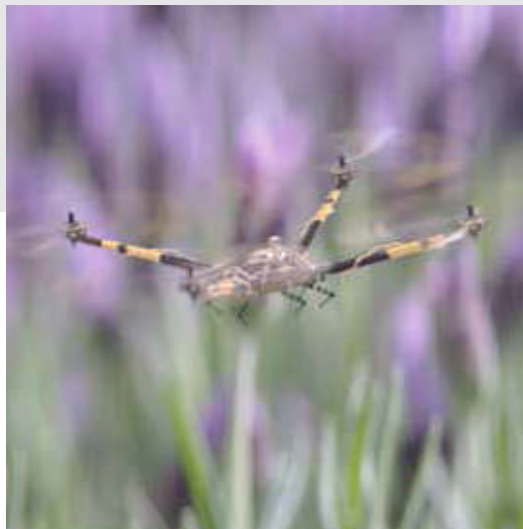
Cyber security has been thrust into the spotlight over the last couple of years. With high-profile data leakages, prominent security breaches across a variety of industries and identity theft at the forefront of consumers' minds, security of our digital assets and profiles is essential. This applies right across the private and public sectors as organisations build their digital capability. In response to these increasing cyber threats, we have built a dedicated multi-service cyber security practice to help our clients tackle the issue head-on.

The challenge for all organisations is to stay ahead of the game and recognise that cyber risk is ever constant and, like any other risk, has to be managed. It is a boardroom issue and the consequences of not addressing it properly can result in severe reputational damage. There is a spread of adversaries involved in cyber activity, interested in financial gain, theft of intellectual property and broader business and operational disruption – and they include organised criminal gangs, hactivists, cyber terrorists and insider threats from disaffected employees.



Boohoo.com

From October 2013 to March 2014, a team from across our business worked closely with boohoo.com on its successful AIM listing. 'The whole team was impressive and important to our company's life', said Boohoo CFO Neil Catto.



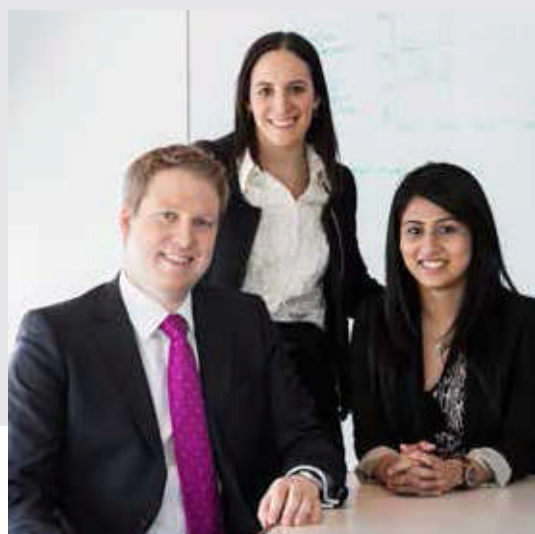
World is in beta

In a world exploding with potential, the way you embrace emerging technology, and the transformations it causes, will greatly affect your business. Be ready. Be part of it. Visit www.worldinbeta.com.

Our dedicated team is made up of people who live and breathe cyber security, involving deep subject-matter experts, industry specialists and staff drawn from a military and intelligence service background. With an integrated set of services, from legal to culture change specialists, from technology advisers, risk management specialists to threat intelligence and response experts, our market positioning is clear – we aim to help our clients build confidence in their digital f

Global CEO Survey show that 82% of UK CEOs rate technological advances as having the greatest impact on their business over the next five years. Focusing on the digital aspect of technology, it's clear that digital has been used as an easier way to sell goods and services more cheaply and more effectively. In response to this, our campaign 'The world is in beta' is a debate on what the next wave of innovation on digital will be. It looks at why you don't need a digital strategy to succeed in this world; you need a business strategy for the digital age.

You don't need a digital strategy to succeed in this world, you need a business strategy for the digital age.



Meeting the needs of our clients

We have created a Financial Services Risk and Regulation (FSRR) practice that brings together the combined expertise of around 60 partners and 900 staff. Our clients are benefiting from the deep knowledge and specialist expertise of our people whose focus is on helping both large and small financial services organisations manage risk and respond to the complex and evolving regulatory environment.

We expanded our Working Capital Management team by adding two new partners and over 25 new team members over the last two years. In the past financial year, the team served 30 clients. Notably, we realised our first €1bn plus cash improvement for a client. We hope all our clients share the same views on our team as Coca-Cola Enterprises' CFO Nik Jhangiani: 'They're clearly all subject matter experts but, importantly, their expertise is borne from their practical experience: they can bring real life experiences to bear on the problems that are facing the client. They are not theoretical.'

Enhancing our capability

We combined with Strategy& (formerly Booz & Co) to further enhance our leading position. This combination gives us the ability to work with our clients from strategy development right through to implementation.

Through our Mokum acquisition we have a combined force of over 200 Oracle practitioners across the UK, strengthening our position as a leading technology service provider.

We also acquired GeoTraceability, a company offering specialised tracking and data collection technology for natural resources. Resource scarcity and supply chain management are significant issues for many of our clients.

These are examples of how we're investing in innovative services that help our clients make better business decisions, establish trust and reduce their risk.

Commercial innovation

We have brought together a broad range of existing skills f

allows us to get involved with initiatives in a way that is different from what we've done in the past.

The megatrends



Demographic and social change



Shift in global economic power



Rapid urbanisation



Climate change and resource scarcity



Technological breakthroughs

This could include conceiving of, and incubating, a new business either to keep or to divest, or acquiring or taking a stake in a business we see as having potential, and then working to strengthen and grow it. We might also substitute fees for equity in businesses we help, or we could enter into a joint venture where we see a sufficient alignment of interests with our potential partners.

One new business we have focused on this year is **My Financepartner**. This is a cloud-based managed finance service. It is targeted at small/medium enterprises and provides transactional reporting and financial insight, which enables better decision-making.

Getting ahead of megatrends

Megatrends are changes that take place over a long period of time and that have a major impact on business and society. They create big opportunities or risks in terms of how clients manage their businesses and interact with customers. We've been working closely with clients to understand the changes that are the most disruptive to their organisations. We've distilled what we've learned into five global shifts that we believe will be important over the coming decades.

To find out more about how we plan to bring a fresh perspective to the five megatrends – something different from the normal debate and something that will help organisations make the most of the changes and challenges ahead, visit www.pwc.com.

Tackling the challenges of climate change and resource scarcity

We work with public and private sector organisations to tackle the challenges posed by climate change and resource scarcity

1
Development (DFID), we continue to manage the Business Innovation Facility, which has already supported over 80 companies to develop inclusive business models in Africa and the Indian subcontinent, and will continue to support companies and other market players in Malawi, Nigeria and Burma to adopt commercially sustainable innovations. In the private sector, we're working with clients across a spectrum of industries, from financial services to mining, including many of the world's 'sustainability leaders'.

Measuring the impact of business

Our Total Impact Measurement and Management framework – launched at the UN General Assembly last year – has been very well-received. The framework helps businesses understand the net impact of their activities on the economy, public finances, the environment and wider society.

We remain the leading assurer of sustainability data among the UK FTSE-100 companies, and also provide assurance to public sector clients, such as The Crown Estate, one of the first organisations to publish an integrated annual report.



Energetics Networked Energy Limited

Teams of people from across our firm have been working with energy networks company Energetics, helping management through the sale process for a proportion of the businesses to Macquarie Bank. From an initially difficult financial position following significant growth, Energetics is now stronger than it has ever been and 219 staff positions have been secured.

Pictured: Ken Stewart, Director and Bill McClymont, CEO



Climate & Development Knowledge Network (CDKN)

We've secured an extension from the UK Government to lead CDKN through to 2017. Over the past four years, CDKN has supported over 70 developing countries to plan and implement strategies for their specific climate change challenges. It's funded by both the UK Department for International Development and the Dutch Ministry of Foreign Affairs, and allows us to use our skills to contribute to policy change, accessing climate finance and disaster risk management.

Express Holdings

Our Newcastle Corporate Finance team has helped one of the UK's leading manufacturing companies, Express Holdings, secure private equity funding. The investment will help Express Holdings with its acquisition and expansion programme both in the UK and overseas.

The things we do to create value

People

Creating value for our people through opportunity, growth and new experiences is a key part of what we do.

As a progressive employer we believe that having diverse and motivated people sits at the heart of our firm's strategy. Engaged people with a range of skills, experiences and ideas put us in a better position to build trust and meet the needs of our clients.

People engagement

Throughout the year we measure the engagement levels of our people. We also use a framework called **'the deal'** to understand what individuals value about working for the firm and what our firm expects from them.

Learning and development

We offer our people a broad range of opportunities to grow and develop, from formal training programmes to on-the-job coaching, mentoring and work experiences.

The PwC Professional

We launched a leadership capability framework called **'The PwC Professional'**. It set out five attributes – technical, relationships, leadership, business and global acumen – which we expect our people to develop to meet our clients' needs. A global mindset is a key part of the PwC Professional, and the framework has been adopted across the PwC global network to support all of our people.



Peter White (left) and Mark Baker, from our Assurance practice, founded their Young Philanthropy team shortly after the graduate welcome event in September 2013, showing responsible leadership from the outset.

Young Philanthropy

Consistent with our goal of developing responsible leaders, we are a founding partner of **'Young Philanthropy'**. This social enterprise has leadership at its core, educating and empowering a new generation of philanthropists to take a leading role in transforming society. Young professionals invest their time, money and skills in niche charity projects. We now have over 14 teams being led by people from all grades.

Different ways to start your career

Our position as the UK's leading graduate employer is something we're very proud of. We continue to recruit top graduates from around the country every year.

We recognise that the traditional graduate entry route may not suit everyone who has the potential to join us. This is why we offer a variety of ways to join our firm.

Our **Higher Apprenticeship programme** offers full-time paid professional roles for school leavers. It's designed to help individuals develop their business skills while completing formal training and studying towards qualifications. This year we were named by the National Apprenticeship Service and City & Guilds as a Top 100 Apprenticeship Employer.

People engagement

This represents those people who are engaged / highly engaged





Jennifer Duck from our Newcastle office is our first director promotion from the Flying Start programme.

Our **Flying Start programme** offers valuable experience for those who want to go to university and ultimately want to become a chartered accountant. This PwC-endorsed accounting and finance degree (in conjunction with the ICAEW and the universities of Newcastle, Nottingham and Reading) offers an exciting and challenging opportunity, with the benefit of going to university, getting paid work experience and fast-tracking your career. This year we saw our first director promotion from this population.

Opportunity and choice

We encourage our people to look for new opportunities within the firm. This year we expanded our internal Careers Service, which enables our people to talk to trained career coaches to help them make the right career choices. It's proven to be a great initiative that is making a real difference, helping people move around the firm and take on new challenges.

Strong links to our global network give our people a variety of career opportunities and potential to travel. And it gives our clients access to an enviable pool of talent. We currently have over 237 people on a secondment to the UK and over 144 on secondment to other PwC offices around the world.

Looking after the well-being of our people is an important part of our strategy. This is why flexible working is a valued and important part of our operating model. In total, 10% of our workforce work flexibly, including 50 of our partners and 138 of our directors.

Valuing difference

We believe that investing in a broad range of skills, experiences and backgrounds puts us in a stronger position to understand and meet the needs of our clients. This year we have continued to recruit a more diverse range of talent, in particular to encourage more women and those from different social backgrounds to our organisation.

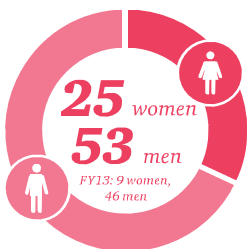
We want to see a greater cultural and gender diversity in our business. Through the work we have done to create a strong pipeline of talent, we are making progress. This year, 40% of our new internal admissions to the partnership were female. Of our existing partners, 17% are female and 6% are from a minority ethnic background. We'll continue to focus on setting and monitoring gender and diversity targets at all levels.

We have recruited over 90 students onto our **'Shadow a Female Leader' programme**. We also introduced a 'Business Insight Week' work experience programme for sixth-form students, focused on improving access to the profession.

The future

During the downturn we held firm and continued to invest in recruitment. This year, more people have joined us than ever before. As well as recruiting over 1,200 graduates this year, we've taken on 112 school leavers and apprentices, and a further 31 graduates from our Flying Start degree partnership. In addition, 795 students joined us on our internship programme. We also recruited over 1,400 experienced people this year, and welcomed a further 98 from acquired businesses. In the year ahead we'll continue to stay focused on recruiting, developing and retaining a talented workforce. And we'll continue to build on what we've achieved in creating an agile and adaptable workforce, making sure we remain responsive to change and offer varied and exciting career opportunities to our people.

New partner diversity



This year 32% of our 78 new partners were women



Higher apprentices Christy Oliver, Holly Simms and Luke Constable. All three have just completed their exams and have been offered full-time roles.

The things we do to create value

Community and sustainability

Creating value through our community and sustainability programmes is an important part of our strategy. We are committed to doing the right thing for our communities and are constantly looking for ways to eliminate as many of our environmental impacts as possible. We encourage our people to share their skills and energy to support groups and charities across the UK. Building a sustainability mindset benefits our people and the clients and communities we serve.

Charities we support



Alzheimer's Society

Leading the fight against dementia



Improving our environmental performance

After almost two years of refurbishment, we fully reopened our Embankment Place office in London, achieving the highest ever score under BREEAM, the world's foremost environmental assessment method and rating system for buildings. In conjunction with our More London building, which itself achieved a BREEAM Outstanding award, we now have 10,000 of our people located in some of the most environmentally friendly buildings in the UK.

Our overall carbon footprint fell 4% this year to 84,301 tonnes, aided by the mild winter and our new Embankment Place office trigenerator, running on recycled cooking oil, which combined to reduce our gas consumption. Carbon emissions from flights now account for more than half of our overall footprint, so our campaign to promote online meetings as an alternative to travel remains a priority. This year, online meetings hosted per person rose by 201%.

We generated less waste again this year, showing good progress towards our reduction target of 50% by 2017. But much of the 31% reduction is due to improvements in the way we measure the amount of paper we recycle – our largest waste stream. In turn, this affects our overall recycling ratio, which fell from 74% to 68%. Consumption of paper and water remain on track to meet our 2017 targets.

Having achieved the Carbon Trust Standard for the third time in 2013, we're also delighted to be one of the first three organisations to achieve the new Carbon Trust 'triple crown' of certificates for good carbon, water and waste management.

BREEAM

Our Embankment Place office achieved the highest ever score

96%

Carbon footprint

Down 4% to 84,301 tonnes due to reduced gas consumption

Online meetings

Hosted per person

Up 201%

Waste generated

Down 31%

Recycling ratio

68% 2014
74% 2013

Environmental impact

The Carbon Trust Standard for the third time in 2013



One of the first three organisations to achieve The Carbon Trust 'triple crown'

Investing in our communities

Our community programmes continue apace and we are engaging more of our people in more ways.

We volunteered 51,000 hours during the year – up 14% from 2013. For the first time we held a vote for our people to select three charities of the year which will be supported by the **PwC Foundation**. These three charities, together with our two existing charities, Beyond Food Foundation and Wellbeing of Women, formed the basis of our annual firmwide volunteering day. We are planning other fundraising events throughout next year to enable our people to pool their talents and energies to really make a difference for these charities.

Our volunteering also continues in other areas. We support education, social enterprise and employability initiatives – the most of our professional skills to maximise our impact. More than 50% of our volunteering is skills-based this year.

Meanwhile, our social entrepreneurs' club, which provides mentoring and other support to social entrepreneurs, has grown to more than 200 members across the UK, and we're on track to reach our 2017 target of 250. We've published a review of our five-year relationship with the School for Social Entrepreneurs, and we ran social impact measurement training for our social entrepreneurs in London, Leeds and Scotland.

Measuring our impact

For many years we've actively encouraged our people to volunteer in the communities in which we operate. In recent years we've sought to



Brigade at the Firestation

Our own social enterprise restaurant, Brigade, goes from strength to strength. Another 15 apprentices joined the Beyond Food Foundation programme this year, bringing the total apprenticeships facilitated this way to 60 since it opened in 2011.



Getting our people to think sustainability

This year, we developed an online training called 'Think Sustainability' to help our people and contractors to understand the implications of social and environmental issues in client work. With 94% of them completing the course, over half of those surveyed* confirmed that it led to them adopting more sustainable behaviour. We're proud that the module received external recognition, being voted 'best internal engagement' by the environmental organisation 2degrees.

*629 people



One Firm One Day

On one day each year, we encourage all our people to get involved with community projects. This year, many took part in fundraising activities for local charities: one group walked, jogged and ran dressed as the popular character from the children's book series 'Where's Wally?' to raise money for the National Literacy Trust.

maximise the impact of these activities by sharing our professional skills where possible. So, this year we've published ongoing targets for volunteering hours and skills-based volunteering. And we're also publishing the total number of beneficiaries of our volunteering.

We've been tracking our people's expectations about our social and environmental responsibility for some time, too. So we're also including these metrics in our scorecard. See pages 71–72 for more details of our quality and ethics, workplace and diversity, and community and environmental targets and achievements.

Over the next year, we'll continue to embed sustainability more deeply into our supply chain and client work, influencing all the elements of our value chain for greater social and environmental impact, as well as setting up additional programmes to help us achieve our 2017 goals.

For more information visit www.pwc.co.uk/corporatesustainability.

Our services

We offer our clients an integrated approach to our services. Our core services are assurance, tax, deals and consulting. Trust sits at the heart of everything we do for our clients. Whether it's trust in the relationship they have with us or the trust we help them build with their stakeholders. Across our business we have talented people who are innovative and agile in their approaches. They have a common set of values, and are empowered to take personal responsibility and do the right thing.

Assurance

With nearly 7,000 people, we have a strong Assurance practice that works with many listed companies and thousands of private and family businesses, as they look to expand both in the UK and globally

leading organisations. Our work extends beyond statutory audit to encompass internal audit, risk assurance, actuarial services and advice on capital market transactions. Together, these services help build trust and provide the confidence that's vital for decision-makers when they are faced with complex problems.

As a result of legislative and regulatory change, tendering activity in the audit market is significantly increasing.

These measures have already led to an increase in clients changing auditors. During the year, we won the audits of HSBC, Vodafone, British

Land, Morrisons, Bunzl, Henderson and Ladbrokes, and retained the audit of Lloyds Banking Group. We've also seen our audit relationship with clients including Unilever, M&S and the London Stock Exchange come to an end. Our focus remains the delivery of high-quality services to all of our clients during the transition period.

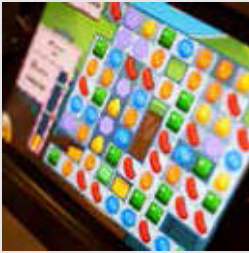
We were pleased with our 2013–2014 Audit Quality Review results, which showed continuous improvement on our previous strong performance. We're continuing to make significant investments to ensure our audit methodology remains best in class and we're introducing new technologies to help deliver more efficient and high-quality audits to our clients.

Our Risk Assurance business achieved double-digit growth for the fifth consecutive year. We provide integrated and independent assurance to help our clients protect and strengthen every aspect of their business from people to performance, systems to strategy and business plans to business resilience.

Our actuarial practice provides the expertise and experience needed to help clients manage risk and capital more effectively. We provide solutions for all manner of businesses that face significant and complex risks, not just insurers.

Our capital markets and structuring teams advise companies raising debt or equity in global capital markets, including designing the optimal deal structure. Our deals-related revenue grew strongly in the year, thanks to a resurgence of IPO and M&A activity.

As a result of legislative and regulatory change, tendering activity in the audit market is significantly increasing. We are helping clients offer more transparency through their corporate reporting. We are also moving from a historical focus to provision of assurance on a real-time basis. We've started piloting our first real-time assurance products. We are fully committed to providing the skills and qualifications that future assurance professionals will need to operate in the changing assurance environment.



Candy Crush

In the past year, a team drawn from a number of our key service lines has advised mobile game-maker King on its multi-billion-dollar flotation on the New York Stock Exchange. Most famous for its global hit Candy Crush, King has more than 180 titles in over 200 countries.



BAE Systems picks Skyval

BAE Systems, the global defence, security and aerospace company, has chosen Skyval to manage and monitor its pensions obligations across all seven of its UK schemes. Skyval is a web-based pensions analytics tool that gives companies and trustees access to real-time information and analysis on their schemes' liabilities, assets, risk and valuations. Visit www.pwc.co.uk/annualreport to read the story in full.

The diversity of our clients and business, which brings together tax, HR and related legal expertise, and the strength of our global network means we can give our people rewarding, varied experiences and help them develop new skills.

Tax

We are proud to have the largest UK Tax practice and the leading reputation, according to the Global T

leading firm means more to us than size and reputation. It also means taking a leading role on the key issues that affect our clients and markets, from pension changes and executive reward to tax reform. As an example, through our 'Paying for tomorrow: future tax' campaign, we've engaged with the public through a Citizens' Jury to come up with reforms to the UK tax system. Our experts also regularly provide commentary to the media, bringing a business perspective to topical issues through sharing their insights and opinions.

The world is changing, and our focus over the last year has been to continue to adapt, transform and diversify our business. To keep pace with the evolving economic landscape we've refreshed our global code of conduct. The code helps us best serve our clients by ensuring we balance their technical needs with reputational concerns.

Embracing change has allowed us to help our clients – be they business, entrepreneurs, private clients or public sector – to solve new and increasingly complex problems, so they can grow, employ new people and invest. Our diverse business with over 3,500 talented

people brings together tax, HR and related legal expertise to enable us to work alongside our clients as they respond to the challenges and opportunities they face. Over the last year, we have increased our focus on helping clients with the opportunities and challenges presented by operating in a digital economy. Projects have ranged from helping clients manage rapid advances in technology in the workplace to advising on the tax implications of transacting online and across borders.

The diversity of our clients and our business, and the strength of our global network means we can give our people rewarding, varied experiences and help them develop new skills. The range of industry awards and qualifications our practice and people have achieved demonstrates our breadth of skills and career paths. We've also continued to invest directly in our people – over 500 moved within our business, and we made more promotions and admitted more partners than last year. We continue to recruit the most talented people in the market to help us improve, grow and diversify our offering to meet the needs of our clients.

We're looking forward with confidence, committed to creating a sustainable business with a lasting legacy built on responsible, profitable growth. At the heart of this is our commitment to continue bringing the very best of our diverse practice, firm and global network to our clients.

1. Launched in 2000, the Global Tax Monitor (GTM) is an independent survey conducted by research agency TNS, which provides a comprehensive measure of firm reputation, client service and brand health, gained currently from just over 4,000 telephone interviews annually with key decision-makers (CFOs and tax directors) in 40 key markets.



CVC Capital Partners

When UK Transaction Services' director Hugh Ellis was invited to relocate to Hong Kong to support CVC Capital Partners in Asia, he said 'I seized the opportunity with both hands. The past eight months have been a whirlwind of deal work and personal development'.

The changing focus from crisis to growth has also given our people the opportunity to develop and apply their diverse skills in new ways, which will continue to be a priority.

Our specialist teams have been helping to investigate, analyse and resolve potential issues by providing advice to help prevent crises arising.

Deals

We have over 2,200 commercially focused people supporting clients through transactions, restructuring and crisis.

In an economy characterised by cautious optimism, our focus for the last year has been on delivering the best outcome from complicated business problems – be that realising the best value from a transaction, restructuring businesses, or providing advice on regulatory and reputational risks.

A particular highlight has been announcing the repayment of 100% to unsecured creditors of Lehman Brothers International (Europe), with over £40bn expected to be returned to creditors.

We have a strong and growing forensics team. The financial and reputational risks of economic crime and disputes can be huge. Our specialist teams have been helping to investigate, analyse and resolve potential issues by providing advice to help prevent crises arising.

Over the year, the transactions market has become more buoyant, particularly at the mid-market level, and we're seeing the benefits of our recent investment in the regions.

We have had good success with our corporate finance teams seeing a growing range of mandates. We've also been seeing an increasing level of due diligence and transaction service activity, together with the need for post-deal implementation services.

The changing focus from crisis to growth has also given our people the opportunity to develop and apply their diverse skills in new ways, which will continue to be a priority. We are the largest Deals business in the PwC network, which gives our people opportunities to work on a wide range of international assignments and experience secondments to developing markets.

We are well positioned to continue to use our diverse skills and deep sector knowledge to help our clients respond rapidly to market events, and will increase our focus on developing original deal ideas to help them grow and invest.

Consulting

Across the UK and the Middle East we now have nearly 2,500 practitioners with a wide and diverse range of skill sets. It's been a year of investment and change across our Consulting business. Our focus continued to be on helping our clients to work better and faster, and we have invested further in our capabilities to achieve this. Through our Strategy& and Mokum investments and by investing in the skills of our people, we seek to help our clients improve how they operate, innovate and grow, reduce cost, manage risks, build talent and evolve the way they do business. We have also established a New Business arm within the Consulting practice, which is proving successful as we explore new commercial models.

A recent industry report on consulting describes our firm as occupying a positively differentiated position in the UK market –

...opportunities that digital integration offers clients and our recently launched **The World in Beta** campaign is showcasing our firmwide digital capabilities. Our consulting insights and propositions help clients think through the radical implications for their business models created by the digital world, execute change and reassess the way they view customer and supply-chain relationships. Our digital offering is at the core of, and integral to, our Consulting business and will shape our offering and client conversations going forward.

Over the year we made a significant investment in our people across all levels, with 800 new recruits joining our Consulting business. This is alongside our investment in Strategy&



Ministry of Interior

In 2013, we helped the UAE's Ministry of Interior revolutionise security and safety services across the country. Drawing on our understanding of the global security arena, we combined complex crime analysis with workforce expertise to create a tool to deploy resources where and when they're needed most.

Consulting Magazine described our investment in Strategy& as bold and shrewd, saying that it 'may be the game-changing move the consulting profession's been waiting on.'

– which Consulting Magazine described as bold and shrewd, saying that it 'may be the game-changing move the consulting profession's been waiting on.' It is a key element in our plans to exploit the potential of large-scale international projects that integrate strategy and delivery across the client landscape.

The past year saw a number of achievements for our people including four Management Consultancies Association awards – more than any other organisation. We were voted Graduate Employer of Choice in Consulting in the Times Top 100 Graduate Employers awards.

The consulting market has experienced significant change over the past year and this will continue. However, we have proved we can anticipate change and adapt to new market opportunities, and in the coming year we will continue to deliver the transformational outcomes that our clients need.

International network

Strength and depth of the PwC network

The PwC global network of firms operates in 157 countries, with over 184,000 people. The geographic reach of the PwC network and the depth and breadth of our services gives us great strength in the professional services marketplace. We are focused on how we can improve the delivery of this expertise to our clients and maximise the opportunities for developing our people.

Supporting our clients internationally

The combination of geographic reach and local capabilities gives the PwC network strength to service clients wherever they operate. Lead partners on global accounts have responsibility for mobilising talent to deliver the support that clients need. Global market leaders also share industry insight and best practice to make sure that we have the latest thinking on key market issues. Demand for expertise across territories is high and increasing capacity in markets with high potential is a key focus.

What is 'PwC'?

PwC is the brand under which the individual member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services, drawing on common resources and methodologies.

PwCIL acts as a coordinating entity that focuses on key areas, such as strategy, brand, and risk and quality. The PwC network is not one international partnership and the PwC member firms are not otherwise legal partners with each other.



Seplat Petroleum

A combined UK and Nigerian transactions team has advised Seplat Petroleum on its historic dual listing on the London and Nigerian stock exchanges. The \$535m deal is one of the largest flotations by an oil exploration and production company since the financial crisis.

The UK's contribution

The UK firm is well-represented across PwC's network leadership teams and plays an active role in contributing to the development of the network's strategy.

Network Leadership Team

The Network Leadership Team sets the overall strategy for the PwC network and the standards to which PwC firms agree to adhere.

Network Executive Team

The Network Executive Team is led by, and reports to, the Network Leadership Team. Its members are responsible for strategy and the coordination of key aspects of PwC's Assurance, Advisory and Tax offerings, and functional areas such as Risk & Legal, Human Capital, Operations and Clients & Markets across the PwC network.

Strengthening our network

The gradual return to economic growth in developed countries is welcome news. But we know that high growth is likely to come from less mature markets. In response to this, the UK firm began a strategy in 2009 which connects those parts of our network that have high-growth potential and which would benefit from the UK firm's developed talent pools and product offerings.

This strategy began with an alliance with the PwC firm in the Middle East and has been extended during 2014 through investment in PwC Central and Eastern Europe. We have also recently announced a further alliance relationship with PwC in Central and Southern Africa.

The East firm has continued to deliver growth since the UK firm's initial investment in 2009. Certain local economies continue to grow strongly across the Middle East, with client demand for our services in sectors such as capital projects and infrastructure, oil and gas, government and sovereign wealth f

The firm promoted 617 people with 32 new partners in the year and two new graduate programmes were launched. Some 170 graduates joined across the region.

Central and Eastern Europe

We announced our investment strategy in PwC Central and Eastern Europe (CEE) in October 2013. The CEE region spans 29 countries across six time zones. The investment strategy is designed to develop market opportunities in the region for the benefit of both firms.

The UK has committed to invest in a number of specific initiatives including oil and gas, consulting, cyber security and forensic services, business recovery and transaction services, and in strategy and operations consulting.

Africa

In July 2014, we also announced a strategic investment with PwC firms in Central and Southern Africa, to meet increased demand for professional services as trade activity between the two regions grows. It also gives our people across the UK and Africa the chance to experience different working environments.

PwC teams from the UK and Africa have a strong track record of working together to support businesses, governments and NGOs across the region with expertise in fields such as economic development, climate change, education, infrastructure, natural resources, and power and utilities.



PwC Middle East has grown to over 2,600 people. Some 170 graduates joined across the region.

To capitalise on our links and to be well-positioned to respond to the potential economic boom expected in the continent, the UK and African firms are developing a robust and flexible talent strategy.

Given our historical and cultural ties, we have a strong cadre of people with African backgrounds in the UK firm. We expect some to take up learning or secondment opportunities in Africa. The UK firm also wants to help the African firm in recruiting and developing a local workforce to grow and develop the potential in local domestic economies.

Leading thoughts

PwC produces various reports and white papers throughout the year to share insights and stimulate debate on current and future market issues.

Global CEO Survey

The PwC Global CEO Survey was published for the seventeenth year. This annual survey gives PwC a chance to find out what's on the minds of CEOs around the world. It puts us in a better position to help them deal with these challenges.

Global Entertainment and Media Outlook

Now in its fifteenth year, PwC's annual Global entertainment and media outlook (Outlook) provides a single comparable source of five-year forecast and five-year historic consumer and advertiser spending data and commentary, for 13 entertainment and media segments across 54 countries.



Paul Cleal, UK partner, will join the Africa leadership team on secondment and will be based on the continent.

Leading network

The UK firm continues proactively to help develop and support the PwC network. It is of vital importance for our ability to service our clients, share knowledge and insight, and develop our people.

Leadership

The Executive Board

The Executive Board is responsible for developing and implementing the policies and strategy of our firm, and for its direction and management. It sets and communicates our firm's strategic priorities, which feed into our business planning process. The contribution of each part of the firm is monitored through balanced scorecard reporting.

Our Board is chaired by Ian Powell, whose term of office runs for four years from July 2012 to June 2016. 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. Our Executive Board meets at least monthly, and conducts formal business at additional meetings, as necessary. Keith Tilson was a member of the Executive Board until 30 September 2013, when he retired from the firm.



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1 **Ian Powell** Chairman and Senior Partner

Ian joined the UK firm's Executive Board in 2006 and was elected chairman and senior partner in 2008. He joined the UK firm as a graduate trainee in 1977 with a degree in economics from Wolverhampton Polytechnic. He became a partner in 1991. Before becoming chairman, he was Head of Advisory. He has an honorary doctorate in business administration, awarded by the University of Wolverhampton Business School.

2 **Kevin Ellis** Managing Partner

Kevin graduated in industrial economics from Nottingham University, joined the firm in 1984 and became a partner in 1996. Before he joined the Executive

Board, between 2008 and 2012 he was Head of Advisory. During his time with the firm Kevin has been on two secondments, one with an overseas bank and the other with a major UK financial institution.

3 **Gaenor Bagley** People

Gaenor graduated from Cambridge University with a mathematics and management degree. She trained in audit and spent three years in an investment bank corporate finance team. In 1992, she joined the Tax practice and in 2000 became a partner, continuing to work in M&A, and specialising in Private Equity. She joined the Executive Board in 2011 and is responsible for our people, communities and sustainability.

4 **James Chalmers** Assurance

James graduated from Oxford University with an engineering degree and joined the firm in 1985. He became a partner in 1997. Before joining the Executive Board in 2008 as Head of Strategy and Talent, he was a member of the Assurance leadership team. During his time in Assurance he worked with multinational clients and has been on long-term secondments to clients in the banking and healthcare sectors.

5 **Margaret Cole** General Counsel

Margaret graduated from Cambridge with a degree in law. She joined the Executive Board on 1 January 2013 and was previously Managing Director of Enforcement and Financial Crime and a board member of the FSA. She has over 20 years' experience in private practice, specialising in commercial litigation with an emphasis on financial services. She has held positions with Stephenson Harwood and White & Case.

6 **John Dwyer** Deals

John graduated from University College Dublin with a commerce degree. He has worked in most of the businesses under the Deals umbrella including Business Recovery and Corporate Finance. He became a partner in 1997 and ran the Transaction Services business between 2007 and 2011. He joined the Executive Board in 2012.



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7 Warwick Hunt **Chief Financial Officer**

Warwick graduated from the University of the Witwatersrand in Johannesburg with a bachelor of accountancy. He is responsible for the leadership of the UK Firm's Finance and Operations functions. Before joining the Executive Board in October 2013 he was PwC Middle East senior partner. He was territory senior partner and Chief Executive Officer in PwC New Zealand from 2003 to 2009.

8 Stephanie Hyde **Regions**

Stephanie graduated from Brunel University with a mathematics and management degree. She joined the firm in 1995 and became a partner in 2006. Before joining the Executive Board in 2011, she led our Assurance practice in Reading and our mid-cap market in the South East. Stephanie has worked in a number of our offices in the UK with clients ranging from private businesses through to FTSE 100 companies.

9 Kevin Nicholson **Tax**

Kevin joined the Executive Board in 2008 as Head of Regions after spending four years leading the Entrepreneurs and Private Clients practice on the Tax Leadership Team. He graduated from Newcastle-upon-Tyne Polytechnic, joined the firm in 1991 and became a partner in 2000. Over this period he worked in the North East, the Midlands, London and Hong Kong, and also spent two years working with Global Tax Leadership in New York.

10 Richard Oldfield **Strategy**

Richard graduated from the University of York with an economics degree. He joined the firm in 1992 and became a partner in 2003. Before joining the Executive Board in 2011, he led our Banking and Capital Markets business within Assurance. He has worked in London, Zurich, Paris, New York and most recently Sydney, on both audit and non-audit clients.

11 Dan Schwarzmenn **Clients and Markets**

Dan has a masters degree in Business Administration from City University and became a partner in 1998. Before joining the Executive Board in January 2014 he was responsible for the Business Recovery Services team in the UK from 2008. Dan has been involved in a number of high-profile UK and international assignments, mainly in the financial services sector.

12 Ashley Unwin **Consulting**

Ashley graduated from Sheffield University in 1991 with a degree in business; he also gained an MSc in organisational development. He joined the firm in 2009 to lead our Consulting practice. Ashley's early career was spent with Arthur Andersen where he made partner in 1998. Before joining the firm, he worked in private equity and held senior positions in EMI. He joined the Executive Board in 2012.

Governance

Supervisory Board, Audit and Risk Committee, Public Interest Body

Supervisory Board

This has been my first full year as Chairman of the Supervisory Board and it has been a busy 12 months, reflecting the many developments within our firm. Sound governance remains a key principle of our partnership and over the year we were focused on having the right level of construction and reporting between the Executive and the Supervisory Board and the wider partnership. The principal communication channels were through regular discussions and meetings.

We have also worked closely so that any concerns of the partnership or individuals are dealt with quickly and the right level of guidance is provided to the Executive Board.

The relationship between the two bodies is positive and works well, with both boards taking their responsibilities to represent the partnership seriously.

One point, a key strength of the Supervisory Board is the experience and diversity of members; this has aided the quality of discussions and ability to represent the partnership effectively.



Matthew Thorogood
Supervisory Board Chairman

Our Supervisory Board

The current members of the Supervisory Board are:

Matthew Thorogood, Chair
Pauline Campbell††, Deputy Chair
Christine Adshead~†
Dave Allen~
Colin Brereton*~
Paul Clarke~†
Duncan Cox~*
Katharine Finn**
Mark Hudson~~
Rob Hunt*†
Sue Rissbrook*
Caroline Roxburgh†

Ex officio members
Simon Friend^†
Gerry Lagerberg^
Ian Powell

* Partner Affairs Committee member

** Partner Affairs Committee Chairman

† Audit and Risk Committee member

†† Audit and Risk Committee Chairman

~ Strategy and Governance Committee member

~~ Strategy and Governance Committee Chairman

^ Member of the Board of PricewaterhouseCoopers International

What does the Supervisory Board do?

The principal roles of the Supervisory Board are to hold the firm's Executive to account and to represent the interests of partners, and as such it is a vital part of the firm's governance structure.

The Supervisory Board is made up of 12 partner members, who are elected for a term of four years by our partners.

In addition to the 12 elected members, UK Chairman Ian Powell serves as an ex-officio member, along with two partners who have been elected to the Board of PricewaterhouseCoopers International Limited, the global Board of the PwC Network. The Supervisory Board elects its own Chairman.

Partners use the Supervisory Board as a formal communication channel with the Executive holding regular meetings with partners to get their views on the firm's overall strategy and any other issues that may be of concern.

The Supervisory Board is also responsible for approving the Annual Report and the choice of auditor, for approving the admission of new partners and for approving transactions and arrangements outside the ordinary course of business.

It also has the ability to consult partners on any proposed significant change in the form or direction of the LLP. It has responsibility for managing the process leading to the election of the firm's Chairman.

There are four subcommittees of the Supervisory Board: Partner Affairs, Senior Management Remuneration, Strategy and Governance and Audit and Risk.

The Partner Affairs Committee is responsible for making sure that the firm's policy on partners' remuneration is being properly and fairly applied. It also has oversight of partner admissions and retirements.

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

The Strategy and Governance Committee provides oversight of both the development of the UK firm's strategy and any material acquisitions or disposals. Its role is also to provide the Supervisory Board with a forward agenda to assist it to effectively commit time to strategic issues facing the firm as well as to routine operational issues.

The Supervisory Board works closely with the firm's Public Interest Body (PIB). During the year Matthew Thorogood and Pauline Campbell, until she stepped down in April 2014, in their capacity as members of the Supervisory Board, sat on the PIB to make sure that there is effective communication between the two bodies.

Audit and Risk Committee

Role

The Audit and Risk Committee is a committee of the Supervisory Board. The Committee comprises six members of the Supervisory Board, having both audit and non-audit backgrounds. The Committee met 11 times in the year ended 30 June 2014 (2013: 10 times). The Chief Financial Officer, the General Counsel, the Head of Internal Audit and the external auditors, Crowe Clark Whitehill LLP (CCW), attend the Committee's meetings by invitation. Both the internal and external auditors meet privately with the Committee without management presence.

The principal roles of the Supervisory Board are to hold the firm's Executive Board to account and to represent the interests of partners, and as such it is a vital part of the firm's governance structure.

We have also worked closely so that any concerns of the partnership or individuals are dealt with quickly and the right level of guidance is provided to the Executive Board.

The Committee monitors and reviews the:

- effectiveness of the Group's internal control and risk management systems
- firm's policies and practices concerning compliance, independence, business conduct and ethics including whistle-blowing and the risk of fraud
- scope, results and effectiveness of the firm's internal audit function
- effectiveness and independence of the firm's statutory auditor, CCW
- reappointment, remuneration and engagement terms of CCW including the policy in relation to, and provision of, non-audit services
- planning, conduct and conclusions of the external audit
- integrity of the Group's financial statements and the significant reporting judgements contained in them
- firm's Transparency and Sustainability reports.

Internal control and risk management systems

The Committee's review of internal control includes considering reports from the firm's Risk Council and internal and external auditors. A member of the Committee attends the Risk Council meetings throughout the year. Also, during the year the Committee considered and approved the internal audit work programme including its risk assessment, proposed audit approach and coverage, and the allocation of resources. The Committee reviewed the results of audits undertaken and considered the adequacy of management's response to matters raised, including the implementation of recommendations. The effectiveness of the firm's internal audit function was also assessed.

The Committee also considered reports from other parts of the firm charged with governance and the maintenance of internal control including in respect of independence, compliance, ethics, whistle-blowing, fraud, data security, business continuity management and the management of the firm's own tax affairs.

The Committee also reviewed and considered the statements on page 32 in respect of the systems of internal control and concurred with the disclosures made.

Financial reporting

The Committee carried out its responsibility for monitoring and reviewing the integrity of the Group's financial statements by reviewing formal updates provided by management on key accounting developments and by reviewing the financial statements with both management and the external auditors.

The significant issues the Committee considered in relation to the financial statements for the year ended 30 June 2014 are set out below. The Committee has discussed these with CCW, together with CCW's areas of particular audit focus described in the independent auditor's report on pages 38 to 40.

- **Critical accounting estimates and judgements**

The Committee reviewed management's process for considering the appropriateness of critical accounting estimates and judgements. These encompassed revenue recognition, the fair value of unbilled revenue on client assignments, provisions in respect of client claims and the assumptions adopted in valuing the firm's defined benefit pension schemes for the purposes of financial reporting. The Committee is satisfied that appropriate estimates and judgements have been made in the preparation of the consolidated financial statements.

- **Goodwill impairment**

Management's process and methodology for assessing the carrying value of goodwill was reviewed by the Committee. This included considering key assumptions, resulting headroom and the sensitivities applied by management in forming its assessment. The Committee agrees with management that there was no impairment of goodwill in the year.

- **Defined benefit pension schemes**

Consideration was given to the accounting policy change resulting from the adoption of IAS 19 (revised) 'Employee benefits' and its effect on the consolidated financial statements.

Following consideration of the matters presented to it and discussion with both management and CCW, the Committee is satisfied with the judgements and disclosures included within the financial statements. The Committee has also reviewed the form and content of the Group's 2014 Annual Report.

External audit

The Committee undertakes an annual review of the qualification, expertise, resources and independence of the external auditors and the effecti the external audit process by:

- reviewing CCW's plans for the audit of the Group's financial statements, the terms of engagement for the audit and the proposed audit fee
- considering the views of management and the CCW engagement partner on CCW's independence, objectivity, integrity, audit strategy and its relationship with the Group, obtained by way of interview
- taking into account information provided by CCW on its independence and quality control.

The external auditors are engaged to provide non-audit services where there are business benefits in doing so, their objectivity and independence would not be compromised and no conflict of interests would be created. Suitable approval processes are in place to ensure that these criteria are met before CCW is engaged to provide non-audit services. Fees paid to CCW for audit and non-audit services are set out in note 4 to the financial statements. The non-audit assurance services provided during the year related to sustainability reporting, grant claims and regulatory compliance. Non-audit services constituted 13% (2013: 15%) of CCW's total fee for the financial year.

The financial year to 30 June 2014 was the Audit Engagement Partner's first year in role, following completion of a five-year term by the previous Audit Engagement Partner.

Having considered a number of factors including audit effectiveness, business insight, tenure and approach to audit partner rotation, the Committee concluded that it was appropriate to reappoint CCW as auditor.

A report from the Public Interest Body

This is my fourth annual report on the operation of the Public Interest Body (PIB) since it was established in 2010. For the independent non-executives this means we have each now begun our second term of appointment. An appropriate time, then, to take stock. This is something we will be doing for ourselves, as the PIB plans to have an external effect later this year. It is also something the Financial Reporting Council (FRC) is doing, as it has begun its review of the application of the Audit Firm Governance Code. I will return to these subjects later in my report, but first want to deal with the work we have undertaken this year.

Just before doing this, it is worth reiterating that the PIB's membership and activities reflect the objectives of the Code, which states that the independent non-executives should improve confidence in the public interest aspects of the firm's decision-making, dealings with stakeholders and management of reputational risks.

The public interest and reputational risks

In the corporate world, businesses and their auditors are being encouraged to report with a greater emphasis on the principal areas of risk. Hence, I thought I would begin my commentary this year by reporting on –

the public interest and the firm's reputation – the key areas we have discussed with the firm's leaders. Speaking for the non-executive

Our Public Interest Body

The firm established the Public Interest Body following the introduction of the Audit Firm Governance Code, which applied to PwC UK for the first time for the year ended 30 June 2011. The Public Interest Body's purpose is to enhance stakeholder confidence in the public interest aspects of the firm's activities, through the involvement of independent non-executives.

Independent non-executives
Lapthorne
(Chairman)
Sir Graeme Davies
Dame Karen Dunnell
Sir Ian Gibson (to April 2014)
Paul Skinner OBE

PwC members
Ian Powell[^]
Pauline Campbell[†]
(to April 2014)
James Chalmers[^]
Matthew Thorogood[†]

[^] Member of the Executive Board

[†] Member of the Supervisory Board

members, we find the relationship between the firm's Executive and the PIB to be a very open one. The firm surfaces issues of potential public interest for our attention and is receptive to our requests for topics to be discussed. Matters we have particularly focused on in the last year are set out below:

- The PwC network acquisition of Strategy& (formerly Booz & Co)**
 We discussed leadership and the Head of Consulting the public interest aspects of this strategic investment. In particular, we discussed how this development would impact on the balance between Audit and Assurance and other services in the firm's business. We also discussed how these activities are being integrated within PwC's network of firms. We will revisit this area in the next year as the integration of these activities proceeds.
- Implementation of the reforms to the audit market arising from the Competition Commission and EU audit reform process**
 We debate on a regular basis with the firm's Head of Assurance and the leader for Regulatory Affairs, how the firm is addressing the challenges of both the market-driven and regulatory-driven changes in the audit market. We believe that the firm is adopting an appropriate balance in maintaining expertise in both audit and non-audit services in key industry sectors, and that the firm's commitment to audit quality remains paramount in tendering activity.

- **How the firm manages the reputational risks around providing tax advice**

Given the continued spotlight on corporate taxes, we carried on our dialogue begun last year with the firm's Head of Tax on how the firm manages the reputational risks around providing tax advice and how it has contributed ideas and evidence to the debate on how much tax companies pay.

- **Significant claims and litigation affecting the UK firm**

We receive regular reports from the firm's General Counsel on the most significant cases affecting the firm. We are satisfied that these are being appropriately handled by the firm and its external legal advisers.

- **The management of risk in the firm's Public Sector advisory business**

At our request, the firm's Government and Public Sector leader discussed with us how risks are managed in PwC's work for the public services, in particular in the health sector.

In all of our discussions on the above matters, the firm's leaders have welcomed input from the independent non-executives and acknowledge that we have influenced their thinking, for example by challenging them to see alternative perspectives. The independent non-executive members are satisfied that the firm's processes for raising matters of public interest for the PIB's attention are appropriate, and that our questions have been answered in a considered and effective manner.

External inspections of audit quality

We continue to spend substantial time engaging with the firm's annual inspection reports from the Audit Quality Review Team (AQRT) of the FRC. For the second successive year, I attended a 'clearance meeting' with the firm's Head of Assurance and senior AQRT staff, so that we could hear about their inspection findings prior to publication. This interaction is very helpful and enables us to better understand how the regulator's priorities compare with our own.

I would like to see this engagement with the FRC's inspection unit evolve to resemble more closely the relationship between a public company and its external auditors. This would become a two-way process, such that the firm could also provide input to the FRC on the inspection process.

Stakeholder engagement

Within the firm, it is important that the PIB has links to the wider body of the partnership, who are the owners of the business. In addition to hearing at each meeting from the chairman of the Supervisory Board, we meet with all the members of that Board at least once a year. The non-executive members continue to meet partners and staff through other forums, for example by attending the annual Partner Meeting and other events.

Externally, the Code identifies institutional shareholders and the corporate community as primary constituencies. During the year several independent members of the PIB and the firm's Head of Assurance participated in a meeting with a wide range of representatives of institutional shareholder organisations. We also met with some shareholder representatives on an individual

basis. We devoted substantial time in these meetings to explaining PwC's governance model and how the PIB provides advice to the firm's leaders, as well as discussing current changes in the audit market. These meetings were positive and helpful and there is a willingness on all sides to continue this engagement on a regular basis.

As always, if any of PwC's stakeholders would like to raise issues related to the Code or our work, do please get in touch.

Reviewing the effectiveness of audit firm governance

As indicated above, the FRC is in the course of reviewing the Code in the light of several years' implementation in practice. The FRC has, as part of its evidence-gathering for its review, held meetings with the independent non-executives, with the firm's Executive to gain their respective thoughts and experience of applying the Code.

It is too early to predict what changes, if any, will emerge from the FRC's review. However, speaking from the perspective of the non-executives, we believe that the Code has generally worked well and that it should continue to be sufficiently flexible to accommodate the different governance and network structures of the major audit firms.

That is not to say that there are no improvements that we can make in our operations. We are planning an effectiveness review of the PIB in the second half of 2014. This will be externally facilitated and will build on the work of the internal effectiveness review that was conducted in 2012.

Changes in our membership

We were informed in April that PwC had been successful in its tender for the audit of WM Morrisons Supermarkets PLC. Sir Ian Gibson, chairman of Morrisons, was one of the independent non-executives on the PIB (he was not involved with any aspect of the audit tender process or decision-making). Upon hearing that PwC would be appointed for the 2015 audit of Morrisons, Ian immediately resigned as a member of the PIB.

Ian's resignation leaves four independent non-executives on the PIB. In order to remain compliant with the provision in the Code requiring that independent non-executives should have the majority on such a body, it was decided that Pauline Campbell (one of two representatives from the firm's Supervisory Board members) should also step down.

I would like to record, on behalf of all members of the PIB and the firm, our sincere thanks to Ian for his significant and thoughtful contributions to our meetings. His wise advice and counsel were valued by all of us and we wish him well for the future.



Sir Richard Lapthorne
Chairman of the Public Interest Body

Quality and risk management

Managing risk is a clear strategic priority for the Executive Board and senior management of the firm.

Managing and controlling risk

We have a clear business strategy. In implementing this strategy it is vital that we also manage the risks associated with it. As a result we have a defined process for assessing, monitoring and controlling 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 Committee, is responsible for making sure 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.

- Periodic reviews of performance and quality are carried out independently by the PwC network.
- Our internal audit team 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.
- Our risk and quality functions oversee our professional services risk management systems and report to the Executive Board.

We take client acceptance procedures extremely seriously and we do not automatically take on new client engagements or new work for existing clients. Understanding properly both who we are working with and the nature of the work requested is central to protecting our reputation for quality.

We have procedures to assess the risks associated with new clients. We seek to serve only those clients we are competent to serve, who value our service and who meet appropriate standards of legitimacy and integrity. We also establish upfront whether we are able to comply with independence requirements and to address any potential conflicts of interest. In addition, we conduct annual risk reviews of all audit clients.

Internal control assessment

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 reasonable but not absolute assurance against such failure or material misstatement.

The Executive Board has reviewed the systems of internal control in operation during the year and is satisfied with their effecti

the opposite page.

Risk	Response
Quality: Significant quality failure in the UK firm or the PwC network due to either engaging with an inappropriate client or inadequate delivery of services leading to a potential service failing, litigation and/or regulatory action.	<p>Our internal quality management systems, which are designed to maintain and enhance quality, include:</p> <ul style="list-style-type: none"> • Recruitment standards and staff development procedures. • Client engagement and acceptance processes. • Client engagement standards supported by methodologies and tools. • Quality reviews of PwC network firms including the UK firm. • Monitoring and review of key performance indicators by the Executive Board.
People and talent: Failure to engage fully with our people, impacting our ability to attract, develop and retain the best talent and provide quality services.	<ul style="list-style-type: none"> • Regular reviews of the market for student and experienced talent to understand the firm's relative competitive position. • Embedding the PwC Experience for our people. • The deal framework supporting staff engagement. • The PwC Professional framework, which includes our investment in training. • Use of various communication and discussion channels to engage with our people. • Monitoring and review of key performance indicators by the Executive Board including staff surveys, external Brand Health Index and regular client feedback.
Public perception and reputation: Failure to respond in a transparent manner to issues raised by the 'public interest' debates.	<ul style="list-style-type: none"> • Embedding a culture of 'doing the right thing' for our people, our clients and our communities, as a matter of strategic intent. • Open and active engagement in serious debate with relevant stakeholder groups on trust-related and public interest issues to inspire change. • Sharing of knowledge and insights on trust to sustain, widen and enrich the discussion. • Actively participating in, leading on and collaborating on initiatives to restore trust such as the PwC Building Public Trust programme, the World Economic Forum's 'Leadership, Trust and Economic Performance' project and the UK firm's consultation 'Paying for Tomorrow – The Future of Tax'.
Independence and regulatory requirements: Failure to comply with relevant independence, legal, ethical, regulatory or professional requirements.	<p>Established compliance and independence management systems including:</p> <ul style="list-style-type: none"> • Clear policies, procedures and guidance. • Mandatory annual training for all partners and staff. • Client and engagement acceptance procedures. • Annual independence and compliance submissions for all partners and staff enforced by penalties for non-compliance. • Regular monitoring and reporting to the Executive Board.
Data compromise: Failure to safeguard confidential information.	<ul style="list-style-type: none"> • Information Governance and Security committee, chaired by a member of the Executive Board, which provides overall strategic direction, framework and policies for information security. • The firm operates an ISO/IEC 27001:2013 certified information security management system, which includes: <ul style="list-style-type: none"> – governance and policies for client data and other information – physical, technical and human resource controls – incident response capability – regular monitoring and independent review systems.
Client assets: Failure to appropriately manage client assets including major client administrations.	<p>Well-established procedures for dealing with client assets and related matters including:</p> <ul style="list-style-type: none"> • Portfolio diversification policy. • Daily monitoring of credit and related ratings and maturities. • Internal controls and procedures. • Monitoring and independent review. • A Treasury Committee that receives regular updates on the above.
New business: Failure to manage risks created by new business and other innovations in service delivery.	<p>Firmwide process for reviewing new business so that relevant risks are identified promptly and addressed.</p>
Acquisitions: Failure to integrate newly acquired business, non-realisation of expected synergies and inadequate on-boarding of new partners and staff.	<ul style="list-style-type: none"> • Regular reviews of commercial and risk management lessons learnt from recent acquisition experience. • Clear objective-led management of the integration process for all acquisitions. • On-boarding processes designed to handle the large number of lateral hires created by acquisitions.
Digital disruption: Failure to use advanced technology to underpin new business models and cost structures for existing services.	<ul style="list-style-type: none"> • Significant investment in new and innovative technology solutions for existing services. • Commitment to new platforms to allow delivery of quality services at a highly competitive pricing point.
Regulatory change: Failure to respond to regulatory changes in the various environments in which we operate (UK, Europe and global), which will impact our business.	<ul style="list-style-type: none"> • Regulatory Affairs team works to anticipate and understand changes in applicable regulatory regimes. • Timely consideration by the Executive Board of forthcoming changes and the potential for strategic impact. • Regular interaction with regulators to understand regulatory change and expectations for implementation. • Timely updating of the firm's processes and procedures to ensure compliance with current and developing regulation. • Communication and training programmes to ensure our people and our clients are kept informed.

Financial

Understanding our financial performance

Management's report

The Executive Board submits its report and the audited consolidated financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2014.

This report should be read in conjunction with the other sections of this annual report.

Financial performance

Our revenue grew 5% to £2,814m in a challenging but improving market. This follows the 3% revenue growth recorded last year. Risk assurance, direct tax, HR advisory, corporate finance, transaction services and our Middle East businesses all grew strongly. The core Assurance business continued to see intense competition, pricing challenge and increased levels of audit tendering, with more modest growth, but some high-profile wins, while the business recovery and insolvency light decline in revenues. Consulting has continued to grow its market footprint and presence including the ability to provide full 'strategy to implementation' consulting through our investment in Strategy&.

Operating costs

Our total staff costs increased 5% across the year, reflecting a 4% increase in overall staff headcount and the impact of 1 July 2013 pay awards. Staff bonuses across the Group increased 8% to £94m, including National Insurance (2013: £87m).

Other operating charges increased by 5%, mainly as a result of the increased costs of tendering and business development activity, continued investment in new technology and property, and the growing Middle East firm.

Group revenue

£2,814m

Up 5% this year: FY13
£2,689m, up 3%

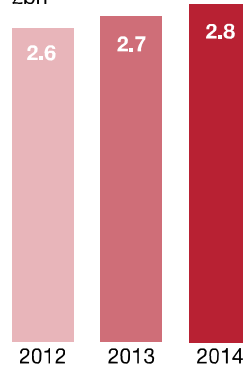
Distributable profit per partner

£722,000

Up 2% this year: FY13
£711,000, up 3%

Group revenue

£bn



Profit for the financial year

Total profit for the financial year of £772m (2013: £750m), comprises profit available for division among members of £711m (2013: £690m) and profit attributable to non-controlling interests of £61m (2013: £60m).

The profit distributed to partners is calculated after deducting their personal obligations to make annuity payments to certain former partners and after certain equity adjustments, and is now calculated before the impact of partner and corporation tax. Actual distributable profit per partner, before tax, increased 2% from £711,000 to £722,000 for the year ended 30 June 2014.

Average profit per partner based on the profits shown in these statutory accounts, which is stated after corporation tax and excludes the impact of members on overseas secondment, increased from £821,000 to £873,000.

Staff pensions

Just over 13,000 of our staff are active members of the firm's defined contribution pension arrangements. The firm also has two defined benefit schemes that are now closed to future service accrual and new members.

As more fully disclosed in note 1 to the financial statements, the Group has adopted the revised version of the IAS 19 accounting standard relating to its defined benefit schemes. This has led to the restatement of a number of pension-related balances within the financial statements, the most significant of which is to decrease members' reserves at 1 July 2013 by £282m to a restated balance of £346m.

The accounting valuations undertaken for the purpose of these financial statements at 30 June 2014 indicate a combined defined benefit pension deficit of £57m, compared with £33m in the prior year. The increase in the deficit primarily reflects a decrease in the discount rate used to value liabilities, offset by asset returns and cash contributions in the period.

The 31 March 2014 triennial funding review is currently underway. Due to the different actuarial assumptions used, the funding deficit arising from this review is likely to be substantially larger than the £57m accounting deficit shown in these financial statements.

Net assets and financing

Notwithstanding the restatement brought about by the change in pensions accounting standard mentioned above, the Group's balance sheet remains healthy, with total members' interests of £566m (2013: £516m).

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions totalling £208m (2013: £189m) are determined by the Executive Board with the approval of the Supervisory 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 working capital loan facilities totalled £376m at the year-end (2013: £322m). The Group's principal facility was renewed in June 2011 under a £225m four-year arrangement, which expires in June 2015. The Group's facilities are spread across a number of banks and are maintained at a level sufficient to cover the expected peak cash requirements of the business.

Our treasury focus is on making sure that 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. No speculative activity is permitted.

Members' profit shares

Members are remunerated solely out of the profits of the firm after adjusting for annuity payments to certain former partners and other equity adjustments. The final allocation and distribution of profit to individual members

is made by the Executive Board, once their individual 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.
- Equity unit income – reflecting the overall profitability of the firm.

Each member's performance income, which in the current year represents on average approximately 39% of their profit share (2013: 38%), 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.

Tax policy

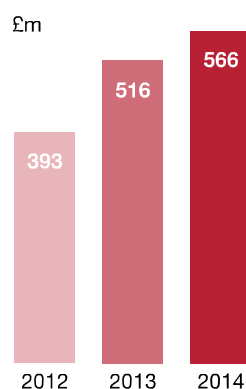
The firm is committed to being a responsible and compliant taxpayer in the countries where it operates. We conduct our own tax affairs in accordance with our Code of Conduct. We maintain appropriate processes and controls, which are intended to avoid the risk of non-compliance with tax laws, filing and disclosure requirements. We engage openly with HM Revenue & Customs.

Responsibility for the conduct of the firm's tax affairs lies with the firm's chief financial officer and is subject to scrutiny by the Executive and Supervisory Boards.



Just over 13,000 of our staff are active members of the firm's defined contribution pension arrangements.

Total members' interests



Total UK tax contribution

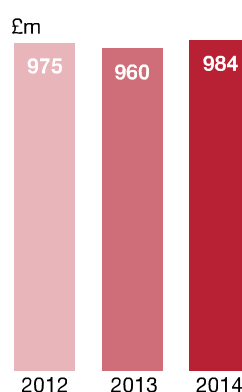
Our firm makes a significant contribution to the UK public purse through the taxes paid by our members, the business and employees. In total, this is estimated to be £984m in respect of the past year (2013: £960m).

The Group and its members contribute to UK government finances through taxes borne and taxes collected. We pay a range of taxes including income tax, capital gains tax, employment taxes, corporation tax, property taxes, indirect taxes and environmental taxes.

The largest tax borne by the members of the LLP is on the profits distributed to them. Distributable profit per partner is now calculated on a profit before tax basis. Consequently, the taxes borne by partners include both income tax as well as the corporation tax on subsidiary profits.

Partner income tax and National Insurance contributions payable by partners of the LLP on current year distributable profits, together with their share of corporation tax on subsidiary profits, is estimated at £276m (2013: £261m). This gives an effective tax rate for partners of the LLP of approximately 47% (2013: approximately 43%). The LLP administers the payment of partner taxes and makes periodic allocations of profit to cover payment of these tax liabilities.

Total tax contribution



In addition to partner and corporate taxes, a further £129m (2013: £129m) of UK business taxes was borne by the Group, with the largest element being National Insurance contributions, reflecting the fact that people are essential to our business.

As well as taxes borne, the Group collected taxes on behalf of the UK government of £579m (2013: £570m), 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.

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

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 31 days (2013: 30 days).

Political donations

The firm has no political affiliation and 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 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.

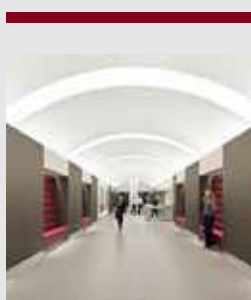
Our people provide limited and fully disclosed technical support to the main political parties in areas where our expertise and knowledge of the business environment can help them better understand technical matters and the consequences of their policy proposals. We do not develop policy on their behalf. We 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.

Total UK tax contribution to 30 June 2014

	30 June 2014 £m	30 June 2013 £m
Taxes paid/payable		
Partner tax and NIC payable on current year distributable profits	258	257
Corporation tax on subsidiary profits	18	4
Employers' NIC	99	97
Business rates	18	22
PAYE/NIC on benefits	6	6
Other	6	4
	405	390
Taxes collected		
Net VAT	307	297
PAYE	216	218
Employees' NIC	56	55
	579	570
Total	984	960

In addition to the above, taxes paid/payable by other entities included in these consolidated financial statements totalled £18m and taxes collected by these entities totalled £14m.

In the period covered by this report, we provided a total of some 6,004 hours of free technical support to political parties during the year (2013: 4,827 hours). The value of this work, as reported to the parties using the principles established by the Electoral Commission, was £0.4m (2013: £0.5m) and comprised 4,493 hours to the Labour Party and 1,511 hours to the Liberal Democrat Party. Over the years we have supported requests from each of the main political parties. Throughout this period the trend has been that we have provided more hours to the opposition parties as they have less support infrastructure.



We completed the refurbishment of our Embankment Place office in London during the year. It achieved the highest ever BREEAM accreditation for environmental credentials. We are also upgrading a large number of our regional properties.

The firm is committed to being a responsible and compliant taxpayer in the countries where it operates. We conduct our own tax affairs in accordance with our Code of Conduct.

- 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
- 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.

On behalf of the Executive Board

Ian Powell
Chairman and Senior Partner

Warwick Hunt
Chief Financial Officer

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of PricewaterhouseCoopers LLP during the whole of the year were Ian Powell and Kevin Ellis. Keith Tilson was a designated member until his retirement on 30 September 2013. Warwick Hunt was appointed a designated member on 1 October 2013.

Auditor

The independent auditor, Crowe Clark Whitehill LLP, has indicated its willingness to be reappointed.

Going concern

The Executive Board has a reasonable expectation that the Group 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 members to prepare financial statements for each financial year, which 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

Independent auditor's report to the members of PricewaterhouseCoopers LLP

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the parent LLP's affairs as at 30 June 2014 and of the Group's profit and of the Group's and parent LLP's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- the parent LLP financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

This opinion is to be read in the context of what we say below

The financial statements and parent LLP financial statements (the 'financial statements'), which are prepared by PricewaterhouseCoopers LLP, comprise:

- the Group income statement and statement of comprehensive income for the year then ended;
- the Group and parent LLP statements of financial position as at 30 June 2014;
- the Group and parent LLP statements of cash flows and statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law as required and interpreted by the European Union and, as regards the parent LLP, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). Our responsibilities under those standards are further described below under Respective Responsibilities of Members and Auditor. In performing our audit, as required by those standards, we complied with the Financial Reporting Council's Ethical Standards for Auditors including those requiring us to be independent and objective.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and parent LLP's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the designated members; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

When assessing the level of materiality we considered the revenue, profits before taxation and the net and gross assets of the Group. We determined overall materiality for the Group financial statements as a whole to be £25m. We conducted our audit of particular groups of balances or transactions at a level of materiality lower than overall materiality ('performance materiality'). We agreed with the Audit Committee to report to it all identified errors in excess of £0.5m. Errors below that threshold would also be reported to it if, in our opinion as auditors, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group and its material subsidiaries are accounted for from one central operating location with the exception of the Middle East group of subsidiaries. Our audit was conducted from the main operating location and all material subsidiary companies were within the scope of our audit testing. A member of the Crowe Horwath International network undertook specified audit procedures in the Middle East under our direction.

Areas of particular audit focus

In preparing the financial statements, the Executive Board, on behalf of the members, made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We focused our work primarily on these areas by assessing the Executive Board's judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit.

The Audit Committee's consideration of these matters is set out on page 28.

Area of focus	How the scope of our audit addressed the area of focus
Revenue recognition and the valuation of unbilled amounts for client work The Group increasingly enters into a broader range of client contract types, with differing revenue recognition criteria. The timing of revenue recognition on these contracts is dependent on the fulfilment of contractual terms, which can be complex and involve subjective judgements on contract completeness and recoverability. Judgements are also required in assessing the fair value of unbilled amounts for client work.	We selected a sample of client assignments focusing on material contracts and contracts that met certain identified risk criteria. Contract terms were examined and relevant information obtained from the client engagement team. The justification for the stage of contract completeness of an engagement, revenue recognised, provisions held against work in progress and the assessment of the fair value of unbilled revenue at the year end were appropriately challenged, reviewed and discussed with management and supporting evidence obtained.
Client claims Client claims are received in the normal course of business. We focused on this area because of the potential financial impact that a major claim could have on the Group and because of the uncertainties involved, including the need to exercise judgement.	The Audit Engagement Partner met with management to discuss significant claims. We reviewed these claims, including legal advice in relation thereto, minutes and risk assessment processes for assessing the risk of unrecorded claims. We reviewed the terms of the Group's insurance arrangements and considered the impact of those terms and the level of cover on the provisions made.
Goodwill When assessing the carrying value of goodwill, management make significant judgements about strategy, future results and profitability and the assumptions underlying these.	We reviewed, in comparison to the requirements set out in IAS 36, management's assessment as to whether goodwill was impaired. We challenged, reviewed and considered, by reference to external evidence, management's impairment model and key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates.
Risk of management override of internal controls International Standards on Auditing (UK and Ireland) state that this risk must always be treated as significant because management, in all businesses, are in a position to be able to override internal control systems established to prevent fraud or error.	We examined whether there was any evidence of management bias in the preparation of the financial statements. This included an examination, review and challenge of critical estimates and judgements covering, in addition to the areas noted above, receivables valuation, onerous property costs and the assumptions used in the determination of the defined benefit pension deficit. We also performed analytical procedures and testing on a sample of journal entries to assess and test the risk of management override of controls.

Independent auditor's report to the members of PricewaterhouseCoopers LLP continued

Going concern

As noted in the members' statement, the members have concluded that it is appropriate to prepare the Group's and parent LLP's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and parent LLP have adequate resources to remain in operation, and that the members intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the members' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the parent LLP's ability to continue as a going concern.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, as applied to limited liability partnerships, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent LLP financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially based on, or materially inconsistent with, our knowledge of the Group and parent LLP acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statement audit

Our responsibilities and those of the members

As explained more fully in the Members' Responsibilities Statement set out on page 37, the members are responsible for the preparation of the Group and parent LLP financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and parent LLP financial statements in accordance with applicable law (the Companies Act 2006 as applied to limited liability partnerships). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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 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 are not liable to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report or for the opinions we have formed.

Nigel Bostock

Nigel Bostock
(Senior Statutory Auditor)

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditors
London

8 August 2014

Consolidated income statement for the year ended 30 June 2014

	Note	2014 £m	2013 Restated £m	Increase
Revenue	2	2,814	2,689	5%
Expenses and disbursements on client assignments		(331)	(320)	3%
Net revenue		2,483	2,369	5%
Staff costs	3	(1,197)	(1,142)	5%
Depreciation and amortisation	4	(41)	(35)	
Other operating charges	4	(447)	(427)	5%
Operating profit		798	765	4%
Finance expense	5	(5)	(7)	
Profit on ordinary activities before taxation		793	758	5%
Tax expense in corporate subsidiaries	6	(21)	(8)	
Profit for the financial y				
Share of profit attributable to non-controlling interests				
Profit attributable to members				
Profit attributable to non-controlling interests	21	711	690	3%
Profit attributable to non-controlling interests	21	61	60	2%
Profit for the financial y				

	Note	2014 £m	2013 Restated £m
Profit for the financial year		772	750
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	23	(3)	(1)
Translation of foreign operations		(2)	–
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefit obligations	20	(45)	49
Other comprehensive (expense) income for the financial year		(50)	48
Total comprehensive income for the financial y			
Attributable to members			
Attributable to non-controlling interests			
Total comprehensive income for the financial y			
Attributable to members		663	738
Attributable to non-controlling interests		59	60
Total comprehensive income for the financial y			

(expense) income.

Consolidated statement of financial position at 30 June 2014

	Note	2014 £m	2013 Restated £m	2012 Restated £m
Non-current assets				
Property, plant and equipment	8	190	172	153
Intangible assets	9	24	30	19
Goodwill	9	47	43	41
Interests in joint ventures	11	1	1	–
Other investments	12	86	8	5
		348	254	218
Current assets				
Trade and other receivables	13	839	824	788
Cash and cash equivalents	14	261	236	159
		1,100	1,060	947
Total assets		1,448	1,314	1,165
Current liabilities				
Trade and other payables	15	(654)	(600)	(547)
Corporation tax		(17)	(13)	(13)
Borrowings	16	(46)	(41)	(23)
Provisions	17	(3)	(4)	(5)
Members' capital	18	(9)	(18)	(13)
		(729)	(676)	(601)
Non-current liabilities				
Borrowings	16	(6)	(10)	(13)
Provisions	17	(42)	(52)	(54)
Deferred tax liabilities	19	–	(1)	–
Members' capital	18	(199)	(171)	(152)
Other non-current liabilities	15	(64)	(41)	(34)
Retirement benefit obligation	20	(57)	(33)	(79)
		(368)	(308)	(332)
Total liabilities		(1,097)	(984)	(933)
Net assets		351	330	232
Equity				
Members' reserves	21	365	346	249
Non-controlling interests	21	(14)	(16)	(17)
Total equity		351	330	232
Total members' interests				
Members' capital	18	208	189	165
Members' reserves	21	365	346	249
Amounts due from members (included in trade and other receivables)	21	(7)	(19)	(21)
Total members' interests	21	566	516	393

The financial statements on pages 41 to 70 were authorised for issue and signed on 8 August 2014 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC303525, by:



Ian Powell



Warwick Hunt

	Note	2014 £m	2013 Restated £m	2012 Restated £m
Non-current assets				
Property, plant and equipment	8	—	1	1
Intangible assets	9	3	5	7
Goodwill	9	6	6	6
In				
lents	14	214	204	130
		851	814	725
Total assets		993	884	793
Current liabilities				
Trade and other payables	15	(382)	(311)	(290)
Provisions	17	(3)	(3)	(4)
Members' capital	18	(9)	(18)	(13)
		(394)	(332)	(307)
Non-current liabilities				
Provisions	17	(15)	(22)	(25)
Members' capital	18	(199)	(171)	(152)
Other non-current liabilities	15	(23)	—	—
Retirement benefit obligation	20	(57)	(33)	(79)
		(294)	(226)	(256)
Total liabilities		(688)	(558)	(563)
Net assets		305	326	230
Equity				
Members' reserves	21	305	326	230
Total equity		305	326	230
Total members' interests				
Members' capital	18	208	189	165
Members' reserves	21	305	326	230
Total members' interests	21	513	515	395

Tam Lowell

Nick Hunt

Warwick Hunt

Statements of cash flows for the year ended 30 June 2014

	Group		LLP	
	2014 £m	2013 Restated £m	2014 £m	2013 Restated £m
Cash flows from operating activities				
Profit after taxation	772	750	668	688
Tax on profits	21	8	–	–
Adjustments for:				
Depreciation and amortisation	41	35	4	3
Loss on disposal of property, plant and equipment	1	2	–	–
Loss on disposal of intangible assets	1	1	–	–
Finance income	–	–	(1)	(1)
Finance expense	5	7	2	3
Changes in working capital (excluding the effects of acquisitions):				
Increase in trade and other receivables	(27)	(36)	(27)	(15)
Increase in trade and other payables	28	51	46	21
(Decrease) increase in provisions and other non-current liabilities	(12)	3	(7)	(4)
Movement in retirement benefits	(23)	–	(23)	–
Cash generated from operations	807	821	662	695
Tax paid by corporate subsidiaries	(25)	(25)	–	–
Net cash inflow from operating activities	782	796	662	695
Cash flows from investing activities				
Purchase of property, plant and equipment	(50)	(52)	–	–
Proceeds from sale of property, plant and equipment	–	3	–	–
Purchase of intangible assets	(6)	(18)	(1)	(1)
Purchase of other businesses (net of cash acquired)	(5)	(4)	–	–
Purchase of investments	(31)	(3)	(31)	(4)
Proceeds from sale of investments	–	–	4	–
Purchase of interest in joint venture	–	(1)	–	–
Interest received	–	–	1	1
Net cash outflow from investing activities	(92)	(75)	(27)	(4)
Cash flows from financing activities				
Payments to members	(644)	(641)	(644)	(641)
Payments to non-controlling interests	(57)	(59)	–	–
Interest paid	(2)	(3)	–	–
Movement in borrowings	1	15	–	–
Compensating payment by members	18	20	–	–
Capital contributions by members	37	34	37	34
Capital repayments to members	(18)	(10)	(18)	(10)
Net cash outflow from financing activities	(665)	(644)	(625)	(617)
Net increase in cash and cash equivalents	25	77	10	74
Cash and cash equivalents at beginning of year	236	159	204	130
Cash and cash equivalents at end of year (note 14)	261	236	214	204

Statements of changes in members' equity for the year ended 30 June 2014

			Group	LLP
	Available for division among members £m	Attributable to non-controlling interests £m	Total £m	Total £m
Balance at 30 June 2012 – as previously reported	590	(17)	573	571
Effect of adopting IAS 19 (revised)	(341)	–	(341)	(341)
Balance at 30 June 2012 – restated	249	(17)	232	230
Profit for the financial y – restated	690	60	750	688
Other comprehensive income for the financial y – restated	48	–	48	49
Total comprehensive income – restated	738	60	798	737
Allocated profit in the financial y		(59)	(700)	(641)
Transactions with owners	(641)	(59)	(700)	(641)
Balance at 30 June 2013 (note 21) – restated	346	(16)	330	326
Profit for the financial y				
Other comprehensive expense for the financial year	(48)	(2)	(50)	(45)
Total comprehensive income	663	59	722	623
Allocated profit in the financial y	(644)	(57)	(701)	(644)
Transactions with owners	(644)	(57)	(701)	(644)
Balance at 30 June 2014 (note 21)	365	(14)	351	305

Notes to the financial statements for the year ended 30 June 2014

1 Basis of preparation

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

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) 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 on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

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

New standards adopted in the year

During the year, the Group adopted IFRS 13 'Fair value measurement' and the amendments to IFRS 7 'Financial instruments: Disclosures on offsetting' and IAS 36 'Recoverable amount disclosures for non-financial assets'. These changes have had no significant impact on the financial statements.

The Group also adopted IAS 19 (revised) 'Employee benefits' during the year. This standard makes significant changes to the recognition and measurement of the defined benefit pension expense and termination benefits and to the disclosures for employees. The most significant changes to the Group are that actuarial gains and losses are recognised immediately in other comprehensive income, the full net pension deficit or surplus is recognised in the statement of financial position and interest cost and expected return on assets are replaced by a single net interest amount calculated using a common discount rate.

Restatement of previously reported results

The following table summarises the adjustments made to each of the financial statement line items on the adoption of IAS 19 (revised):

	Group		LLP	
	2013 £m	2012 £m	2013 £m	2012 £m
Finance income – as previously reported	81	98	82	97
Restatement of interest income	(6)	(8)	(6)	(8)
Reclassification of interest income	(75)	(89)	(75)	(89)
Finance income – restated	–	1	1	–
Finance expense – as previously reported	(98)	(94)	(94)	(89)
Reversal of amortisation of actuarial losses on retirement benefits	16	2	16	(2)
Reclassification of interest income	75	89	75	89
Finance expense – restated	(7)	(3)	(3)	(2)
Other comprehensive (expense) income – as previously reported	(1)	1	–	–
Restatement of return on assets	6	8	6	8
Recognition of remeasurement gains (losses) for the financial year	43	(158)	43	(158)
Other comprehensive income (expense) – restated	48	(149)	49	(150)
Retirement benefit asset – as previously reported	249	262	249	262
Recognition of cumulative remeasurement gains (losses)	(282)	(341)	(282)	(341)
Retirement benefit obligation – restated	(33)	(79)	(33)	(79)
Members' reserves – as previously reported	628	590	608	571
Recognition of cumulative remeasurement gains (losses)	(282)	(341)	(282)	(341)
Members' reserves – restated	346	249	326	230

1 Basis of preparation continued

New standards and interpretations not yet adopted

The following IFRS standards and amendments and IFRS IC interpretations have been issued by the IASB, have not been early adopted and are not expected to have a material impact on the Group's results:

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces IAS 39. IFRS 9 will become effective for the accounting period to June 2019, subject to EU endorsement.
- IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', IFRS 12 'Disclosure of interests in other entities', IAS 27 'Separate financial statements' and IAS 28 (revised) 'Investments in associates and joint ventures' become effective for the accounting period to June 2015.
- Amendment to IAS 32 'Financial instruments: Presentation' clarifies some of the requirements for offsetting financial assets and liabilities. The amendment will become effective for the accounting period to June 2015.

In addition, IFRS 15 'Revenue from contracts with customers' will become effective for the accounting period to June 2018, subject to EU endorsement. The impact of the standard is currently being assessed.

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

The principal estimates and judgements that could have a significant effect upon the Group's financial results relate to the fair value of unbilled revenue on client assignments, receivables valuation, provisions in respect of client claims, onerous property costs and goodwill impairment. In addition, the net deficit or surplus disclosed for each defined benefit pension scheme and subsidiary undertaking annuity provisions are sensitive to movements in the related actuarial assumptions, in particular the 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 judgements are set out in the related notes to the financial statements.

Consolidation

Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies. Subsidiary undertakings are full 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 and losses on transactions between Group companies are eliminated. Accounting policies of subsidiary undertakings have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 retranslated using the rates of exchange at the reporting 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 their functional currency. For the purpose of these 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 these consolidated financial statements.

The assets and liabilities of the Group's foreign undertakings are translated at exchange rates prevailing on the reporting 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 are recognised in other comprehensive income.

Notes to the financial statements continued

2 Revenue

Revenue represents amounts recoverable from clients for professional services provided during the year. It is measured at the fair value of consideration received or receivable on each client assignment, including expenses and disbursements and excluding Value Added Tax. Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow.

Revenue recognition occurs in the period in which services are rendered by reference to the stage of completion, which is assessed on actual services provided as a proportion of total services to be provided.

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

Unbilled revenue 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.

3 Staff costs

Group

	2014 £m	2013 £m
Salaries, including termination benefits of £5m (2013: £9m)	1,015	971
Social security costs	106	102
Pension costs in respect of defined contribution scheme (note 20)	76	69
	1,197	1,142

Salaries include wages and salaries, bonuses, employee benefits and termination benefits.

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

The average monthly number of employees during the year was 18,096, including practice support staff of 3,445 (2013: 17,420, including practice support staff of 3,333).

LLP

There were no employees in the LLP during the year (2013: nil).

4 Other operating costs

Depreciation and amortisation

	2014 £m	2013 £m
Depreciation of property, plant and equipment (note 8)	31	28
Amortisation of intangible assets (note 9)	10	7
	41	35

Other operating charges

Other operating charges include:

	2014 £m	2013 £m
Operating lease rentals:		
Land and buildings	64	68
Plant and machinery	8	8
	72	76

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised on a straight-line basis over the lease term as a reduction of rental expense.

Total fees and expenses payable to the auditors, Crowe Clark Whitehill LLP, for the year ended 30 June 2014 were £0.5m (2013: £0.4m). This comprised audit fees of £0.4m (2013: £0.3m) relating to the LLP and Group consolidation and other service fees of £0.1m (2013: £0.1m) relating to the audit of subsidiary companies and audit-related assurance.

5 Finance expense

	2014 £m	2013 Restated £m
Interest payable	2	3
Unwinding of discount on provisions (note 17)	1	1
Net interest expense on pension scheme (note 20)	2	3
	5	7

Notes to the financial statements continued

6 Tax expense in corporate subsidiaries

Certain companies consolidated in these financial statements are subject to corporate taxes based on their profits for the financial year. 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.

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

	2014 £m	2013 £m
Current tax on income of corporate subsidiaries for the year	28	25
Compensating payment due from LLP members	(6)	(18)
Deferred tax movements (note 19)	(1)	1
Tax expense in corporate subsidiaries	21	8

In accordance with UK transfer pricing legislation up to 24 October 2013, the UK corporation tax expense in subsidiary undertakings included an additional amount in respect of the taxable profits of those subsidiaries, the cost of which is being met by compensating payments made by LLP members direct to the relevant subsidiaries. Following changes to the transfer pricing legislation, which took effect from 25 October 2013, and consequential changes to the terms of business between the LLP and its subsidiaries, the full UK corporation tax charge is being borne by the relevant subsidiaries and no additional amounts in respect of taxable profits or compensating payments have accrued since that date.

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

	2014 £m	2013 £m
Profit on ordinary activities of corporate entities before tax	85	27
Tax expense at UK standard rate of 22.5% (2013: 23.75%)	19	6
Impact of items not deductible for tax purposes	6	7
Adjustment to tax charge in respect of prior years	(2)	(4)
Effect of different tax rates in which the Group operates	(2)	(1)
	21	8

7 Members' profit shares

Excluding members on secondment overseas, the average profit per member based on these financial statements was £873,000 (2013 restated: £821,000), calculated by dividing the total profit available for division among members by the average number of UK members.

The Chairman is the member with the largest entitlement to profit. The Executive Board represents key management personnel for the purposes of these financial statements.

The final allocation and distribution of profit to individual members is made after the financial statements have been approved. Based on the profits shown in these financial statements, the estimated profit attributable to the Chairman is £4.5m (2013 restated: actual £4.2m, estimated £4.2m). The full-time equivalent number of members serving on the Executive Board during the year to 30 June 2014 was 11.5 (2013: 11.9). The estimated profit attributable to the members of the Executive Board amounts to £25.8m (2013 restated: actual £25.1m, estimated £25.0m).

7 Members' profit shares continued

The actual distributable profits per member are calculated after deducting their personal obligations to make annuity payments to certain former members and after equity adjustments. As from the financial year ended 30 June 2014, distributable profit shares are presented on a before tax basis as this is considered a more relevant measure of the Group's profitability. Tax comprises members' personal tax and National Insurance contributions, payable on current year distributable profits, and corporation tax on subsidiary profits. The distributable profit shares before tax for the year to 30 June are:

Distributable profit share before tax	2014 Estimate	2013 Actual
Average per member (excluding members on secondment overseas)	£722,000	£711,000
Chairman	£3.7m	£3.6m
Executive Board (2014: 11.5 members; 2013: 11.9 members)	£21.1m	£21.5m

The average estimated distributable profit per member disclosed in the financial statements for the year to 30 June 2013 was £705,000 and was calculated after charging the tax expense in corporate subsidiaries. The estimated after tax distributable profit for the Chairman and 11.9 members of the Executive Board was £3.6m and £21.5m, respectively, for the year to 30 June 2013.

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

	2014 Number	2013 Number
UK members	814	840
Members on secondment overseas	40	34
	854	874

8 Property, plant and equipment

Group

	Freehold property £m	Leasehold property £m	Fittings, furniture and equipment £m	Total £m
Cost				
At beginning of prior year	6	68	183	257
Additions	–	13	39	52
Disposals	–	(11)	(19)	(30)
At end of prior year	6	70	203	279
Additions	–	9	41	50
Disposals	–	(1)	(33)	(34)
At end of year	6	78	211	295
Accumulated depreciation				
At beginning of prior year	1	21	82	104
Depreciation charge for the year	–	4	24	28
Disposals	–	(10)	(15)	(25)
At end of prior year	1	15	91	107
Depreciation charge for the year	1	4	26	31
Disposals	–	(1)	(32)	(33)
At end of year	2	18	85	105
Net book amount at end of prior year	5	55	112	172
Net book amount at end of year	4	60	126	190

Notes to the financial statements continued

8 Property, plant and equipment continued

Property, plant and equipment is measured at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided on a straight-line basis from the point the asset is available for use 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.

Group capital commitments relating to property, plant and equipment contracted but not provided for at 30 June 2014 amounted to £1m (2013: £14m); there were no capital commitments in the LLP. Included within property, plant and equipment are £23m (2013: £11m) of assets under construction. The capital commitments contracted but not provided for and assets under construction relate principally to the refurbishment of certain regional offices.

LLP

	Leasehold property £m
Cost	
At beginning of prior year	15
Disposals	(9)
At end of prior year	6
Disposals	(1)
At end of year	5
Accumulated depreciation	
At beginning of prior year	14
Disposals	(9)
At end of prior year	5
Depreciation charge for the year	1
Disposals	(1)
At end of year	5
Net book amount at end of prior year	1
Net book amount at end of year	–

9 Intangible assets and goodwill

Group

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	8	64	72	46
Exchange differences	1	–	1	1
Additions	–	18	18	–
Acquisition of subsidiaries	–	–	–	3
Final fair value adjustments on prior period acquisitions	–	–	–	(2)
Disposals	–	(4)	(4)	–
At end of prior year	9	78	87	48
Exchange differences	(1)	–	(1)	(2)
Additions	–	6	6	–
Acquisition of subsidiaries	–	–	–	6
Disposals	–	(1)	(1)	–
At end of year	8	83	91	52
Accumulated amortisation/impairment				
At beginning of prior year	3	50	53	5
Amortisation charge for the year	1	6	7	–
Disposals	–	(3)	(3)	–
At end of prior year	4	53	57	5
Amortisation charge for the year	1	9	10	–
At end of year	5	62	67	5
Net book amount at end of prior year	5	25	30	43
Net book amount at end of year	3	21	24	47

Intangible assets

Customer relationship intangible assets are recognised at fair value on the acquisition of a business and are amortised on a straight-line basis over the expected useful economic life of the relationship, typically three to ten years.

Computer software comprises purchased software licences and costs directly associated with the development of software for internal use, which will generate future economic benefits. Computer software is measured at cost less accumulated amortisation and any recognised impairment loss. Amortisation is provided on a straight-line basis over the expected useful economic lives, typically 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. Goodwill arising on acquisitions is capitalised with an indefinite useful life and tested annually for impairment. For the purposes of impairment testing goodwill is allocated to the cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

The largest element of the goodwill held within the Group is £28m in respect of the firm's strategic alliance in the Middle East, which is considered to be 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 three-year financial budgets approved by management. An average annual revenue growth assumption of 15% has been used (2013: 18%). Cash flows for the periods beyond the approved financial budgets have been extrapolated using a 5% historic long-term GDP annual regional growth rate (2013: 5%). The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 12% (2013: 12%). A reasonable change in the key assumptions does not have a significant impact on the difference between value in use and the carrying value.

Notes to the financial statements continued

9 Intangible assets and goodwill continued

Impairment of non-financial assets

Assets that are subject to depreciation or 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.

Acquisitions

During the year, the Group acquired a 100% interest in Mokum International Limited (subsequently renamed PwC Change Management Limited), a leading Oracle consultancy in Europe, and a 92% interest in GeoTraceability Limited, which offers specialised global tracking and data collection technology for natural resources. The combined consideration of these acquisitions was £6m, of which £1m is contingent on future revenue targets being achieved. The fair values of assets and liabilities recognised on acquisition have been estimated and approximate to the pre-acquisition carrying values based on the respective accounts, prepared as at the acquisition dates. There were no separately identifiable intangible assets recognised in respect of these acquisitions. The combined net asset value, pending final valuation, was £1m. The Group recognised £6m of goodwill in respect of these acquisitions, which is attributable to the companies' existing workforce.

In the prior year, the Group acquired 100% interests in PRPi Consulting Limited and Vantage Performance Solutions Limited (renamed PwC Performance Solutions Limited) for a combined consideration of £5m. The Group recognised £3m of goodwill in respect of the acquisition.

LLP

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	1	13	14	6
Additions	—	1	1	—
At end of prior year	1	14	15	6
Additions	—	1	1	—
At end of year	1	15	16	6
Accumulated amortisation/impairment				
At beginning of prior year	1	6	7	—
Amortisation charge for the year	—	3	3	—
At end of prior year	1	9	10	—
Amortisation charge for the year	—	3	3	—
At end of year	1	12	13	—
Net book amount at end of prior year	—	5	5	6
Net book amount at end of year	—	3	3	6

10 Investments in subsidiaries

	2014 £m	2013 £m
Shares in subsidiary undertakings		
Cost		
At beginning of year	53	52
Additions	22	1
Capital repayments	(4)	—
At end of year	71	53
Accumulated impairment		
At beginning and end of year	3	3
Net book amount at end of prior year	50	49
Net book amount at end of year	68	50

Investments in subsidiaries are measured at cost less impairment.

The financial statements consolidate the results and financial position of the Group, including all subsidiary undertakings. The subsidiary undertakings whose results or financial position principally affected the figures shown in the Group's financial statements are listed below. A full list of all subsidiary undertakings is annexed to the Annual Return of PricewaterhouseCoopers LLP filed at Companies House.

Companies	Principal activity
PricewaterhouseCoopers Services Limited	Service company and employment of staff
PricewaterhouseCoopers (Resources)	Employment of staff
PricewaterhouseCoopers (Middle East Group) Limited	Professional services
PricewaterhouseCoopers Overseas Limited	Professional services
PricewaterhouseCoopers Advisory Services Limited	Professional services
PwC Change Management Limited	Professional services
PwC Consulting Associates Limited	Professional services
PwC Performance Solutions Limited	Professional services
PRPi Consulting Limited	Professional services
Fire Station Operating Company Limited	Social enterprise
GeoTraceability Limited	Natural resource tracking
Limited Liability Partnerships	Principal activity
PricewaterhouseCoopers CI LLP	Professional services
PricewaterhouseCoopers Legal LLP	Legal services

All principal subsidiary companies are 100% owned, except for GeoTraceability Limited which is 92% owned.

All principal subsidiary companies are 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. The 'B' shares provide certain income access rights for local Middle East partners.

Additions to investments in subsidiaries during the year to 30 June 2014 comprise primarily a capital investment of £21m in PricewaterhouseCoopers ME Holdings No. 1 LLP, relating to the Group's investment in PwC Strategy& Parent (UK) Limited, as described in note 12.

Following the Solicitors Regulation Authority's approval of an Alternative Business Structure, PricewaterhouseCoopers LLP became a member of PricewaterhouseCoopers Legal LLP during the year.

The non-controlling interest profits and capital attributable to the members of PricewaterhouseCoopers Legal LLP and PricewaterhouseCoopers CI LLP and to the Middle East partners of PricewaterhouseCoopers (Middle East Group) Limited are shown as non-controlling interests in the consolidated financial statements.

Notes to the financial statements continued

11 Interests in joint ventures

The Group's interest in jointly controlled entities is consolidated using the equity method of accounting. The investment is initially recognised at cost and the carrying value is increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. The Group's share of profit or loss is recognised in the income statement with a corresponding adjustment to the carrying amount of the investment.

In the prior year, the Group acquired an interest in a joint venture, Skyval Holdings LLP, for a total consideration of £1m. Skyval develops, maintains and licenses pension-related software and is incorporated in the United Kingdom. The Group has 50% voting control and owns 20% of the equity, with a 50% share of the profits and losses over the first three years, reducing to 20% thereafter. The Group also paid £9m to acquire licences for the exclusive use of Skyval software, which are recognised within intangible assets.

At 30 June 2014, Skyval Holdings LLP had assets of £5m (2013: £1m) and liabilities of £3m (2013: nil). For the financial year to 30 June 2014, Skyval Holdings LLP's revenue was £5m (2013: nil) and profit was nil (2013: nil).

12 Other investments

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Cost				
At beginning of year	8	5	8	5
Additions	78	3	57	3
At end of year	86	8	65	8
Accumulated impairment				
At beginning and end of year	–	–	–	–
Net book amount at end of prior year	8	5	8	5
Net book amount at end of year	86	8	65	8

Other investments are measured initially at the fair value of the consideration paid on acquisition. Where there is no active market and no reliable measure of their fair value, they are measured at cost less impairment. Income from these investments is recognised in the income statement when entitlement is established.

Other investments include equity holdings in, and preference shares and subordinated loan notes from, entities in the PwC global network.

During the year the Group acquired an equity holding in PwC Strategy& Parent (UK) Limited for £71m, comprising an initial payment of £23m and a commitment to provide further capital funding, currently estimated at £48m, over the next four years. Strategy& is a global strategy consulting firm.

During the year the Group also invested in £3m of preference shares issued by the PwC Central and Eastern European firm as part of a strategic investment plan. In addition, the Group acquired £4m of additional subordinated loan notes from an entity in the PwC global network.

In the prior year the Group acquired an equity holding of £3m in PwC Network Holdings Pte Limited, a company which invests in the member firms of the PwC global network.

13 Trade and other receivables

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Client receivables	420	404	348	336
Due from PwC network firms	35	42	31	38
Trade receivables	455	446	379	374
Amounts due from members	7	19	—	—
Other receivables	32	27	5	6
Prepayments	45	58	2	4
Unbilled amounts for client work	300	274	251	226
	839	824	637	610

Trade receivables are measured initially at fair value and held 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.

Unbilled amounts for client work are measured initially at fair value and held at amortised cost less provisions for foreseeable losses.

Group and LLP trade receivables are primarily denominated in sterling. £79m of the Group's trade receivables are denominated in US dollars/US dollar-linked currencies (2013: £79m) and £14m are denominated in euros (2013: £17m). The carrying value of trade and other receivables in the 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 primarily denominated in sterling and do not contain impaired assets.

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

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
30 days or less, fully performing	282	291	246	248
31 to 180 days, past due and fully performing	166	152	132	123
More than 180 days, past due and impaired	22	19	13	15
Impairment provision	(15)	(16)	(12)	(12)
	455	446	379	374

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

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Balance at beginning of year	(16)	(15)	(12)	(11)
Charged to the income statement	(9)	(11)	(6)	(8)
Released unused during the year	6	7	3	4
Utilised during year	4	3	3	3
Balance at end of year	(15)	(16)	(12)	(12)

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.

Notes to the financial statements continued

14 Cash and cash equivalents

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Cash at bank and in hand	38	27	6	2
Short-term deposits	223	209	208	202
	261	236	214	204

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

Group cash and cash equivalent balances are primarily denominated in sterling, with £20m being denominated in US dollars/US dollar-linked currencies (2013: £21m) and nil being denominated in euros (2013: £12m).

15 Trade and other payables

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Current				
T			–	–
Amounts owed to Group undertakings	–	–	217	157
Other payables including taxation and social security	148	137	50	48
Accruals	282	256	10	8
Progress billings for client work	119	111	105	98
	654	600	382	311

Trade and other payables are measured at amortised cost.

Group trade payables are primarily denominated in sterling, with £32m being denominated in US dollars/US dollar-linked currencies (2013: £33m) and £16m being denominated in euros (2013: £17m). The carrying value of trade and other payables in the Group and LLP is consistent with fair value in the current and prior year. Group current trade payables include amounts owing to PwC network firms totalling £70m (2013: £63m).

Other current payables including taxation and social security comprise:

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Other taxes and social security	92	83	–	–
Deferred capital investment payment	25	–	25	–
Other payables	31	54	25	48
	148	137	50	48

The Group is committed to make further investments in PwC Strategy& Parent (UK) Limited, a member of the PwC global network. The investment is variable based on the future costs incurred by PwC Strategy& Parent (UK) Limited. The current estimate of this investment is £48m to be paid over four years, of which £25m is to be paid within one year. The committed capital provision is based on estimated future cash flows that have been discounted to present value using an average discount rate of 0.8%.

Other non-current liabilities

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Capital loans provided by non-controlling interest partners in subsidiary undertakings	41	41	–	–
Deferred capital investment payment	23	–	23	–
	64	41	23	–

16 Borrowings

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Current				
Bank borrowings	34	26	—	—
Other loans	12	15	—	—
	46	41	—	—
Non-current				
Bank borrowings	—	1	—	—
Other loans	6	9	—	—
	6	10	—	—
Total borrowings	52	51	—	—

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured 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. The carrying values of borrowings approximate their fair value.

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.

The Group's borrowings at 30 June 2014 and 30 June 2013 were unsecured and denominated in US dollars.

All non-current borrowings mature within one to five years.

17 Provisions and contingent liabilities

Group

	Annuities £m	Client claims £m	Property £m	Total £m
Balance at beginning of prior year	18	17	24	59
Income statement:				
Charge for the year	2	5	3	10
Released unused during the year	—	(2)	—	(2)
Un	—	—	—	1
Cash payments	(3)	(3)	(6)	(12)
Balance at end of prior year	18	17	21	56
Income statement:				
Charge for the year	1	6	3	10
Released unused during the year	—	(3)	(1)	(4)
Unwinding of discount	1	—	—	1
Exchange gains	(2)	—	—	(2)
Transfer to accruals	—	—	(5)	(5)
Cash payments	(1)	(6)	(4)	(11)
Balance at end of year	17	14	14	45

Notes to the financial statements continued

17 Provisions and contingent liabilities continued

LLP

	Client claims £m	Property £m	Total £m
Balance at beginning of prior year	17	12	29
Income statement:			
Charge for the year	4	2	6
Released unused during the year	(2)	–	(2)
Cash payments	(3)	(5)	(8)
Balance at end of prior year	16	9	25
Income statement:			
Charge for the year	6	2	8
Released unused during the year	(3)	–	(3)
T to accruals	–	(3)	(3)
Cash payments	(6)	(3)	(9)
Balance at end of year	13	5	18

Disclosed as:

	Group		LLP	
	2014 £m	2013 £m	2014 £m	2013 £m
Current	3	4	3	3
Non-current	42	52	15	22
	45	56	18	25

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 can be reliably estimated. Non-current provisions are measured at their present value. The discount rates used are based on the yield on corporate bonds, adjusted for risk.

Annuities

The Group financial statements consolidate the provision made for the annuities payable by certain subsidiary undertakings to the non-controlling interest partners in those undertakings, principally in relation to the Middle East. These partners are not members of the LLP and the annuities are unfunded. 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, financial estimates or 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 are shown as a movement against the provision.

The principal actuarial assumptions that have been used in calculating the annuities provision are an assumed retirement age of 57 (2013: assumed retirement age of 57), with a discount rate of 4.3% (2013: 4.6%) and inflation rates of 2.3% for US dollar-denominated annuities (2013: 2.5%) and 3.3% for sterling-denominated annuities (2013: 3.3%).

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 individuals and are not obligations of, or guaranteed by, the LLP or its subsidiary undertakings. Accordingly, these annuities are not recognised within these financial statements.

17 Provisions and contingent liabilities continued

Client claims

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 representing the cost of defending and concluding claims is made in the financial statements for all claims where costs are likely to be incurred and can be measured reliably

1 indemnity insurance and no separate disclosure is made of the detail of claims or the costs covered by insurance, as to do so could seriously prejudice the position of the Group.

Property

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, with the unwinding of that discount presented in the income statement as a finance expense. The onerous lease provision covers residual lease commitments up to the end of the lease and is after allowing for existing or expected sublet rental income, with most of the provision expecting to unwind over the next five years.

The property provisions are based on estimated future cash flows that have been discounted to present value at an average rate of 3.5% (2013: 3.8%).

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 liabilities are not recognised in the financial statements, but are disclosed unless they are remote. The Group's policy on client claims is disclosed above.

Where financial guarantees are recognised, they are initially measured 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. The current fair value of the guarantees disclosed below is nil (2013: nil).

Together with other entities in the PwC global network, the LLP has cross-guaranteed the aggregate commitment to invest further capital in PwC Strategy& Parent (UK) Limited. At 30 June 2014, the amount guaranteed by the LLP was US \$76m (2013: nil).

The Group is committed to provide funding to two entities in the PwC global network. At 30 June 2014 the Group has committed, subject to certain investment conditions, to make additional payments of up to US \$105m (2013: US \$55m).

The Group has entered into US \$14m (2013: US \$12m) of guarantees with third-party banks in connection with work performed in foreign territories, predominantly the Middle East.

The LLP has entered into a US \$52m (2013: US \$52m) loan guarantee with a third-party bank in connection with a loan to an entity in the PwC global network.

The LLP has provided guarantees in respect of the future lease commitments of a subsidiary company, totalling £724m over the remaining lease terms (2013: £744m). The majority of these commitments relate to the office premises at 7 More London and 1 Embankment Place.

The LLP guarantees the bank borrowings of a subsidiary company, which is included in the consolidated statement of financial position. At 30 June 2014, the relevant subsidiary company bank borrowings were nil (2013: nil).

Notes to the financial statements continued

18 Members' capital

	Group and LLP £m
Balance at beginning of prior year	165
Contributions by members	34
Repayments to members	(10)
Balance at end of prior year	189
Contributions by members	37
Repayments to members	(18)
Balance at end of year	208

Capital attributable to members retiring within one year is shown as current as it will be repaid within 12 months of the reporting date. Total members' capital analysed by repayable dates is as follows:

	Group and LLP 2014 £m	Group and LLP 2013 £m
Current	9	18
Non-current	199	171
	208	189

Members' capital, which is measured at fair value, is classified as a financial liability.

Members' capital contributions are determined by the Executive Board with the approval of the Supervisory 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 are required to provide one year's notice of retirement.

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

19 Deferred tax

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

	2014 £m	2013 £m
Balance of deferred tax liabilities at beginning of year	(1)	—
Charged to the income statement	1	(1)
Balance of deferred tax liabilities at end of year	—	(1)

Deferred tax liabilities relate to temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, recognised using the liability method.

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 reporting date and expected to apply in the periods in which the temporary differences reverse.

Deferred tax is calculated using a tax rate of 23% for the period to 31 March 2014, 21% for the period to 31 March 2015 and 20% thereafter (2013: 24% for the period to 31 March 2013 and 23% thereafter).

The Group has no deferred tax assets (2013: nil).

There was no deferred tax arising in the LLP for the years to 30 June 2014 and 30 June 2013.

20 Retirement benefits

Defined contribution scheme

As at the end of June 2014 there were 13,283 members of the firm's defined contribution scheme (2013: 13,129), of which 3,111 members were auto enrolled (2013: 2,739). The Group's contributions to the scheme are charged to the income statement as they fall due. Costs of £76m (2013: £69m) were recognised by the Group in respect of the scheme. Costs of the defined contribution scheme in the LLP were nil (2013: nil).

Defined benefit schemes

The Group's two defined benefit pension schemes are the PwC Pension Fund (the "Fund") and the DH&S Retirement and Death Benefits Plan (the "Plan"). Both of the Group's defined benefit pension scheme arrangements are closed to future service accrual, although certain current employee member benefits remain linked to final salary. 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 dated 31 March 2011. The 31 March 2014 valuation is currently underway.

The net deficit or surplus in each scheme is calculated in accordance with IAS 19 (revised), based on the present value of the defined benefit obligation at the reporting date, less the fair value of the scheme assets. The Group adopted IAS 19 (revised) 'Employee benefits' during the year and the impact of this change has been detailed in note 1 to the financial statements.

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, calculated using a single discount rate. Past service costs arising from changes to scheme benefits are 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 are recognised in full in other comprehensive income in the period in which they arise. Other income and expenses associated with the defined benefit schemes are recognised in the income statement.

Assumptions

The principal actuarial assumptions used for the purposes of these financial statements prepared under IAS 19 (revised) are:

	2014	2013	2012
Discount rate	4.3%	4.6%	4.4%
Inflation (RPI)	3.3%	3.3%	2.8%
Inflation (CPI)	2.3%	2.3%	2.1%
Expected rate of increase in salaries	2.9%	2.8%	2.8%
Expected rate of increase in pensions in payment	2.8%	2.8%	2.5%

The majority of liabilities for the Fund and the Plan are indexed on an RPI basis, while future increases to deferred member pensions before retirement increase using CPI.

Sensitivity analysis

The following table shows the sensitivity of the present value of the defined benefit obligations to changes in each of the individual principal actuarial assumptions:

	Fund Increase £m	Plan Increase £m	Total £m
0.25% decrease to discount rate	60	34	94
0.25% increase to salary increases	4	1	5
0.25% increase to inflation	35	23	58
One year increase to life expectancy	22	13	35

The methods and assumptions used in the sensitivity analysis above are consistent with those used in the prior year financial statements.

Notes to the financial statements continued

20 Retirement benefits continued

The figures used in these financial statements assume that the mortality of the schemes' members will be in line with national mortality tables, adjusted to reflect the longer life expectancy of members of the Group's schemes versus the standard table by a one-year age rating for males and a half-a-year age rating for females, and with future improvements in line with Continuous Mortality Investigation 2009 projections, with a 1.25% long-term rate. The following table illustrates the actual life expectancy for a current pensioner member aged 65 at 30 June and a future pensioner member aged 45 at 30 June:

	2014		2013	
	Fund Years	Plan Years	Fund Years	Plan Years
Life expectancy of current pensioners at age 65:				
male	23.3	23.3	23.2	23.2
female	25.2	25.2	25.0	25.0
Life expectancy of future pensioners at age 65:				
male	25.1	25.1	25.0	25.0
female	27.2	27.2	27.0	27.0

Income statement

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

	2014			2013 Restated		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Net interest expense	(2)	—	(2)	(3)	—	(3)
Past service costs	(3)	—	(3)	—	—	—
	(5)	—	(5)	(3)	—	(3)

Scheme assets and defined benefit obligation

The amounts recognised in the Group and LLP statements of financial position and the analysis of the movement in the defined benefit scheme assets and obligations are as follows:

	Fund			Plan			
	Scheme assets £m	Defined benefit obligation £m	Total £m	Scheme assets £m	Defined benefit obligation £m	Total £m	Total £m
Fair value at beginning of prior year	1,110	(1,175)	(65)	611	(625)	(14)	(79)
Net interest on defined benefit obligations	48	(51)	(3)	27	(27)	—	(3)
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	52	—	52	24	—	24	76
Changes in financial assumptions	—	(20)	(20)	—	(7)	(7)	(27)
Benefits paid	(30)	30	—	(15)	15	—	—
Fair value at end of prior year	1,180	(1,216)	(36)	647	(644)	3	(33)
Net interest on defined benefit obligations	54	(56)	(2)	30	(30)	—	(2)
Past service costs	—	(3)	(3)	—	—	—	(3)
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	44	—	44	19	—	19	63
Changes in financial assumptions	—	(71)	(71)	—	(37)	(37)	(108)
Contributions by employer	17	—	17	9	—	9	26
Benefits paid	(33)	33	—	(17)	17	—	—
Fair value at end of year	1,262	(1,313)	(51)	688	(694)	(6)	(57)

20 Retirement benefits continued

The £26m of contributions paid during the year to 30 June 2014 comprise £23m of deficit reduction contributions and £3m of funding for past service costs.

The actual return on scheme assets during the year to 30 June 2014 was an increase of £147m (2013: £151m increase).

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

	2014			2013		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Equities	346	155	501	359	159	518
Property	61	34	95	57	32	89
Hedge Funds	122	65	187	115	63	178
Bonds	280	187	467	258	178	436
Gilts	390	212	602	375	205	580
Cash	50	28	78	16	10	26
Other	13	7	20	–	–	–
	1,262	688	1,950	1,180	647	1,827

Future cash funding

The most recent full actuarial valuations for both the Fund and the Plan were as at 31 March 2011, conducted under the new Scheme Funding Regulations (Pensions Act 2004). These valuations formed the basis for the update to 30 June 2014 used in these financial statements. For the year ended 30 June 2014, Mercer Ltd was the actuary for the Fund and the Plan.

The Group expects to pay contributions of £20m in the year to 30 June 2015.

Notes to the financial statements continued

21 Total members' interests

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. 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. To the extent that interim profit allocations exceed drawings, the excess profit is included in the statement of financial position under trade and other payables. Where drawings exceed the allocated profits, the excess is included in trade and other receivables. The same treatment is used for members who retire during the year.

Group

	Members' interests				Non-controlling interests	
	Members' capital £m	Reserves Restated £m	Amounts due to (from) members £m	Total Restated £m	Reserves £m	Amounts due to (from) non-controlling interests £m
Balance at beginning of prior year	165	249	(21)	393	(17)	—
Profit for the prior year available for division among members	—	690	—	690	60	—
	165	939	(21)	1,083	43	—
Allocated profit	—	(641)	641	—	(59)	59
Movement on cash flow hedges	—	(1)	—	(1)	—	—
Remeasurements on retirement benefits obligations	—	49	—	49	—	—
Introduced by members	34	—	—	34	—	—
Repayment of capital	(10)	—	—	(10)	—	—
Drawings and distributions	—	—	(641)	(641)	—	(59)
Movement in compensating payment due to subsidiary undertakings	—	—	2	2	—	—
Balance at end of prior year	189	346	(19)	516	(16)	—
Profit for the current year available for division among members	—	711	—	711	61	—
	189	1,057	(19)	1,227	45	—
Allocated profit	—	(644)	644	—	(57)	57
Movement on cash flow hedges	—	(3)	—	(3)	—	—
Remeasurements on retirement benefits obligations	—	(45)	—	(45)	—	—
Termination of foreign operations	—	—	—	—	(2)	—
Introduced by members	37	—	—	37	—	—
Repayment of capital	(18)	—	—	(18)	—	—
Drawings and distributions	—	—	(644)	(644)	—	(57)
Movement in compensating payment due to subsidiary undertakings	—	—	12	12	—	—
Balance at end of year	208	365	(7)	566	(14)	—

21 Total members' interests continued

LLP

	Members' capital £m	Reserves Restated £m	Amounts due to (from) members £m	Total Restated £m
Balance at beginning of prior year	165	230	–	395
Profit for the prior year available for division among members	–	688	–	688
	165	918	–	1,083
Allocated profit	–	(641)	641	–
Remeasurements on retirement benefits obligations	–	49	–	49
Introduced by members	34	–	–	34
Repayment of capital	(10)	–	–	(10)
Drawings and distributions	–	–	(641)	(641)
Balance at end of prior year	189	326	–	515
Profit for the current year available for division among members	–	668	–	668
	189	994	–	1,183
Allocated profit	–	(644)	644	–
Remeasurements on retirement benefits obligations	–	(45)	–	(45)
Introduced by members	37	–	–	37
Repayment of capital	(18)	–	–	(18)
Drawings and distributions	–	–	(644)	(644)
Balance at end of year	208	305	–	513

Amounts 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.

22 Commitments under operating leases

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

	2014		2013	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one year	44	5	53	5
1–2 years	43	3	40	3
2–3 years	58	1	36	1
3–4 years	55	–	49	–
4–5 years	50	–	47	–
More than five years	600	–	622	–

Notes to the financial statements continued

23 Financial instruments

Financial instruments are initially measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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. The fair values of all derivatives are based on their quoted price in an active market. Hedge accounting is applied where the relevant criteria are met. 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.

Financial risk management and management of capital

The Group's objectives when managing capital are to safeguard the Group's ability to operate as a going concern and to maintain an optimal capital structure to cover the expected peak cash requirements of the business. The Group's capital comprises the 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 and other receivables – The balance primarily represents billed and unbilled amounts 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.
- Trade and other payables – The balance primarily represents progress billings to clients and trade payables and accruals in respect of services received from suppliers, for which payment has not yet been made.
- Members' capital – The Group requires members to provide long-term financing, which is classified as a liability.
- Debt – The Group's policy permits short-term variable rate facilities with a maximum facility maturity of five years and long-term fixed borrowing with a maximum maturity of ten years.

The 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 2014 totalling £376m (2013: £322m) are predominantly held with seven leading international banks, with the main £225m facility due to expire in June 2015.

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, market capitalisation and relative credit default swap price. 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 is influenced mainly by the individual characteristics of each client. Risk is managed by maintaining close contact with each client and by routine billing and cash collection for work done.

23 Financial instruments continued

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 are in US dollars to reflect the composition of the Group's assets that the borrowings are funding. A movement of 50 basis points in the interest rate on borrowings and surplus cash balances through the year would have had an immaterial impact on the pre-tax profits of the Group.

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 PwC network 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.

Group financial assets and liabilities by category

	2014				2013			
	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	794	–	–	–	766	–	–	–
Investments	–	86	–	–	–	8	–	–
Cash and cash equivalents	261	–	–	–	236	–	–	–
Liabilities								
Trade and other payables	–	–	–	562	–	–	–	517
Borrowings	–	–	–	52	–	–	–	51
Members' capital	–	–	–	208	–	–	–	189
Other non-current liabilities	–	–	–	64	–	–	–	41
Forward foreign-exchange contracts								
Cash flow hedges	–	–	(3)	–	–	–	–	–

Interest rate profile of financial assets and financial liabilities

Group short-term deposits with banks of £223m (2013: £209m) and Group borrowings of £52m (2013: £51m) are subject to floating interest rates. LLP short-term deposits with banks of £208m (2013: £202m) are subject to floating interest rates. Group and LLP investments include floating rate subordinated loan notes of £6m (2013: £2m).

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 2014 of £27m (2013: £1m) and net euro-denominated assets at 30 June 2014 of £4m (2013: £13m).

Derivative financial instruments

Forward foreign-exchange contracts all mature in less than two years, and have been valued using forward market prices prevailing at the reporting date. The ineffective portion of cash flow hedges recognised in the income statement was nil (2013: nil). The effective portion of cash flow hedges recognised directly in other comprehensive expense was £3m (2013: £1m in other comprehensive income). The notional principal amount of forward foreign-exchange contracts was £83m (2013: £66m).

Notes to the financial statements continued

24 Related party transactions

The LLP and the PricewaterhouseCoopers 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 members of the United Kingdom Partnership. Related party transactions with the United Kingdom Partnership and other related 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 certain client assignments. For the year ended 30 June 2014, the LLP provided services to the United Kingdom Partnership to the value of £229,000 (2013: £201,000) under these arrangements. There were no balances outstanding at the end of the year (2013: 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 members of that partnership. The LLP charged the United Kingdom Partnership £200,000 for these support services for the year ended 30 June 2014 (2013: £200,000). There were no balances outstanding at the end of the year (2013: nil). Amounts paid during the year to the annuitants on behalf of the continuing members in their capacity as members of the United Kingdom Partnership totalled £91m (2013: £85m).

Transactions with joint ventures

Details of the Group's interests in joint ventures are provided in note 11. During the year, Skyval Limited, a wholly owned subsidiary of Skyval Holdings LLP, charged the Group £4,334,000 (2013: £640,000) for services provided. The Group charged Skyval Limited £915,000 (2013: nil) for services provided. At 30 June 2014, the Group has an outstanding balance of £143,000 receivable from Skyval Limited (2013: nil).

LLP

The subsidiary undertakings described in note 10 are related parties of the LLP. The transactions during the financial year with these related parties are as follows:

	2014 £m	2013 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	1,527	1,433
Other subsidiaries	11	11
Provision of services to related parties		
Other subsidiaries	(27)	(22)
	1,511	1,422

The balances as at 30 June with these related parties are as follows:

	2014 £m	2013 £m
PricewaterhouseCoopers Services Limited	(234)	(166)
Other subsidiaries	17	9
	(217)	(157)

Firmwide non-financial sustainability data (assured to ISAE 3000 standard)

For full details and further explanation on performance and metrics, including Crowe Clark Whitehill LLP's independent assurance statement, see: www.pwc.co.uk/corporatesustainability

Quality & Ethics

	Units	Ongoing Target	2014	2013	Base	Base year
Quality						
Client advocacy ¹	score out of 10	–	8.52	8.45	8.49	(2009)
Net promoter score ¹	percentage	–	49%	45%	47%	(2009)
Ethics						
Ethical culture ²	score out of 5	4.00	3.89	3.87	3.87	(2013)
Dismissals for misconduct ³	number	–	8	9	14	(2011)
Independence						
Breaches of external auditor independence regulations ⁴	percentage	0%	0.22%	0.22%	0.24%	(2012)
Information security⁵						
ISO 27001: major nonconformities	number	0	0	0	0	(2011)
ISO 27001: minor nonconformities	number	–	2	1	10	(2011)

1 Based on direct client feedback. Prior years restated as client feedback via online surveys and telephone interviews included in 2014

2 Results are derived from the firmwide staff youmatter survey. A score of 4 or above corresponds to a response of 'agree' or 'strongly agree'

3 Data covers all permanent UK staff. Excludes dismissals for failed exams and missed performance standards

4 Breaches of the auditor personal independence regulations reported to the regulator, as a percentage of FTE. Prior year data restated to reflect updated measurement method

5 A major nonconformity is a situation that raises significant doubt about the ability of the firm's information security management system to achieve its intended policy and objectives. A minor nonconformity is a single identified lapse which would not in itself raise significant doubt as to the capability of the firm's information security management system to achieve its intended policy and objectives

Workplace & Diversity

	Units	2017 Target	2015 Target	2014	2013	Base	Base year
Talent attraction and retention							
People engagement score ¹	score out of 5	>4.00	>4.00	4.00	3.98	3.97	(2007)
Graduate retention (3 years)	percentage	85%	83%	79%	78%	82%	(2010)
High potential retention	percentage	95%	90%	88%	90%	89%	(2012)
Voluntary turnover	percentage	12%–15%	12%–15%	13%	12%	14%	(2008)
Employee sustainability expectations¹							
Social responsibility	score out of 5	>4.00	>4.00	4.12	4.08	4.01	(2010)
Environmental responsibility	score out of 5	>4.00	>4.00	4.04	4.01	3.79	(2010)
Inclusion and diversity							
New hire diversity: gender – women	percentage	50%	44%	40%	42%	41%	(2009)
New hire diversity: ethnicity – BME ²	percentage	30%	26%	26%	23%	21%	(2009)
Partner admissions: women ³	percentage	>30%	30%	32%	16%	16%	(2007)
Senior management diversity: gender – women	percentage	30%	20%	23%	22%	17%	(2011)
Employee wellbeing							
Absence through sickness	percentage	<3.5%	<3.5%	3.1%	3.2%	3.3%	(2009)
Work-life balance ¹	score out of 5	3.80	3.65	3.53	3.53	3.67	(2008)
Learning and development: spend⁴	£ per FTE	–	–	1,501	1,342	913	(2010)

1 Results are derived from the firmwide staff youmatter survey. A score of 4 or above corresponds to a response of 'agree' or 'strongly agree'

2 BME – Black and Minority Ethnic

3 The partner admissions metric has been restated for all years to include direct partner hires

4 Prior year data restated to reflect updated measurement method

All data excludes Middle East

Metrics are firm wide and cover all lines of service. FTE figures used are specific to individual metrics

For full details on performance and metrics, including Crowe Clark Whitehill LLP's assurance statement, see: www.pwc.co.uk/corporatesustainability

Firmwide non-financial sustainability data (assured to ISAE 3000 standard) continued**Community involvement**

	Units	Ongoing Target	2014	2013	Base	Base year
Community contribution (cash, time and in-kind) ^{1,2}	£ million		6.4	7.1	4.3	(2007)
Employee involvement						
Time spent volunteering	working hours	> 50,000	51,535	45,386	37,400	(2007)
Skills-based volunteering	percentage of hours	> 50%	53%	80%	58%	(2011)
Volunteering during working hours	no. of occasions		6,503	5,320	2,900	(2007)
Volunteering during working hours	no. of people		5,663	4,069	4,226	(2011)
Payroll giving participation	percentage of staff		3.4%	3.2%	3.5%	(2011)
Beneficiaries: direct ³	no. of people		18,500	15,113	19,559	(2012)

1 Measured according to London Benchmarking Group (LBG) principles, including calculating in-kind contributions on an engagement basis

2 These figures exclude a significant amount of work undertaken for charities and social enterprises, which is excluded because it does not meet LBG recording criteria

3 Beneficiary numbers have been rounded down to provide a prudent representation of activity

Environment

	Units	2017 Target	Progress against base year	2014	2013	2007 Base
Carbon emissions ¹						
Scope 1 ²	tonnes CO ₂ e	–	–45%	3,088	3,874	5,603
Scope 2	tonnes CO ₂ e	–	–39%	15,460	16,182	25,546
Scope 3: Business travel ³	tonnes CO ₂ e	0%	–16%	56,669	57,869	67,775
Scope 3: Other ^{4,6}	tonnes CO ₂ e	–	–38%	9,084	9,818	14,685
Total	tonnes CO ₂ e	–25%	–26%	84,301	87,743	113,609
Operations						
Energy	million kWh	–50%	–37%	52	56	82
Paper procured	tonnes	–50%	–51%	415	409	844
Water supply	m3 (k)	–50%	–32%	140	141	206
Online meetings ⁵	meetings hosted per FTE	–	2187%	3.22	1.07	0.14 ⁵
Waste ⁶						
Landfill	tonnes	–100%	–100%	0	0	587
Incineration to energy	tonnes	–	–54%	642	773	1,408
Recycling ⁶	tonnes	–	–34%	1,366	2,149	2,059
Total ⁶	tonnes	–50%	–50%	2,008	2,922	4,054

1 Calculated using Defra conversion factors (May 2013)

2 Landlord operated offices and 2007–2011 estimated on the basis of office area

3 Air and associated carbon emissions restated to reflect new Defra emission factors which include radiative forcing (r)

4 Fuel and energy upstream emissions added as per new Defra emission factors

5 2010 data shown as earliest year available. Prior year data restated to reflect updated measurement method

6 In 2014 we improved the accuracy for measuring our paper waste. The change has resulted in a significant drop in our figures for recycling and total waste

All data excludes Middle East

Metrics are firm wide and cover all lines of service. FTE figures used are specific to individual metrics

For full details on performance and metrics, including Crowe Clark Whitehill LLP's assurance statement, see: www.pwc.co.uk/corporatesustainability

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

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All printing inks used for this report are made from vegetable-based oils. On average, 87% of any waste associated with the production will be recycled. Printed by a CarbonNeutral® company, registered to the Environmental Management System, ISO 14001 and EMAS, the Eco Management and Audit Scheme.

