www.pwc.co.uk/annualreport

Annual Report 2013

Our Annual Report takes a look at what has happened both within our firm and in our profession over the past year.

pwc

Our strategy

Contents

The Group
The PricewaterhouseCoopers LLP Group consolidated within these accounts includes PricewaterhouseCoopers' member firms in the UK, Channel Islands and Middle East. See pages 51-52 for further details of the Group's principal subsidiary undertakings.

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

Who we are

Our goal is to build the iconic professional services firm, always at the front of people's minds, because we aim to be the best. We set the standard and we drive the agenda for our profession. We value our past but look to invest in our future to leave the firm even stronger than when we inherited it. We will achieve the three pillars of our vision by living and breathing a common set of behaviours.

1. One firm

We are one firm, an extensively networked organisation that aims to bring the best of PwC to our clients at all times. We combine rigour with fun and relish the most complex challenges. We create a flow of people and ideas. We will:

- aim to deliver more value than our client expects
- be agile and flexible
- share knowledge and bring fresh insights
- always act in the interest of the whole firm.

2. Powerhouse

Our clients and people feel and benefit from the energy and power of the firm. We have talented, enterprising and intellectually curious people who will strive with our clients to achieve success. It is this purpose that enables us to attract, develop and excite the best people and inspire confidence in our clients. We will:

- be positive and energise others
- invest in personal relationships
- listen with interest and curiosity, encouraging diverse views
- have a thirst for learning and developing others.

3. Do the right thing

We will deliver exceptional value with integrity, confidence and humility. We support one another and our communities. We have the courage to express our views, even when they may not be popular. We will:

- put ourselves in our clients' shoes
- never be satisfied with second best
- treat people in a way we would like to be treated
- always be brave enough to challenge the unacceptable
- act with integrity and enhance our reputation.

Everyone in our firm must accept personal responsibility to play their part in driving our firm, demonstrating these values and behaviours – opting out is not acceptable. Put simply – this is how we define success.

Our strategic objectives

1. Leading firm: Our ambition is to be recognised as the leading professional services firm. We want to remain number one in size and reputation in the UK in each of our core businesses and markets; we want to be recognised as leading our profession in the important public policy debates currently taking place.

2. Growth: We want to remain the leading firm by revenue and continue to grow, investing in our future so that we leave the firm even stronger than when we inherited it.

3. Profit: We want to grow our profits, invest in our future and competitively reward our people.

4. Quality: We aim to deliver exceptional service and quality to our clients and focus on building a culture that delivers continuous improvement.

5. PwC Experience: To achieve our goals and remain ahead of our competitors we need to offer our clients and our people a distinctive experience. This is why the PwC Experience, which defines the behaviours that support our culture, underpins all of our performance goals. And so we work to embed the PwC Experience behaviours in everything we do – to make them integral to our culture, or 'Who we are'.

Our key performance indicators

PwC client experience

To help us understand how we're performing and how our clients feel about us we talk with them regularly at face-to-face meetings and in-depth interviews with senior management.

We set ourselves high standards and aim to achieve them. Obtaining direct feedback from our clients helps us to improve and tailor our service and to add more value.

Advocacy[1]

FY12 8.64 out of 10

Bring fresh insights to our clients[1]

FY12 7.60 out of 10

Read about our performance and how we've been delivering the PwC Experience for our clients on pages 10-17.

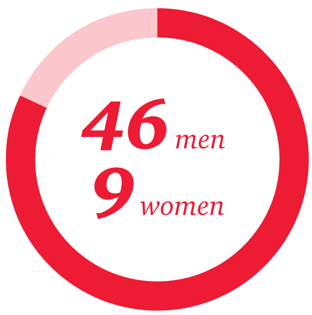
PwC people experience

Understanding what our people value about working for PwC and where we could do better is important to us and drives our strategy. We pay particular attention to the people engagement score which measures the motivation and satisfaction of our people.

People engagement[2]

FY12 4.03 out of 5

New partners[3]



FY12 50 men 11 women

Read about our performance and how we've been delivering our people priorities on pages 18-21.

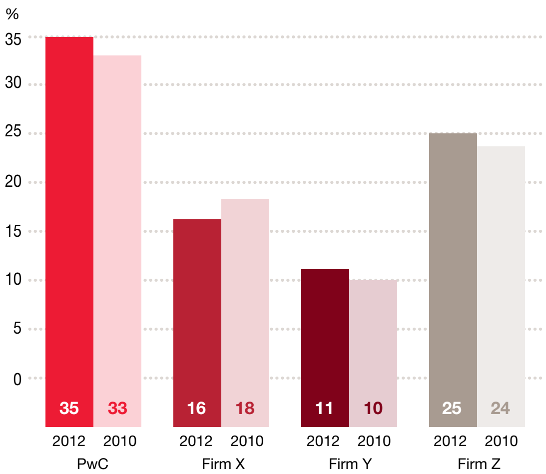
We measure our performance against a number of key performance indicators (KPIs). Our strategic objectives are focused on achieving responsible and profitable growth. We believe that having a balanced range of KPIs is important to drive the right behaviours and to align strategy and performance. To this end, clarity and transparency are critical, which is why we are pleased to publish both our internal and external indicators.

Leading firm – reputation and quality

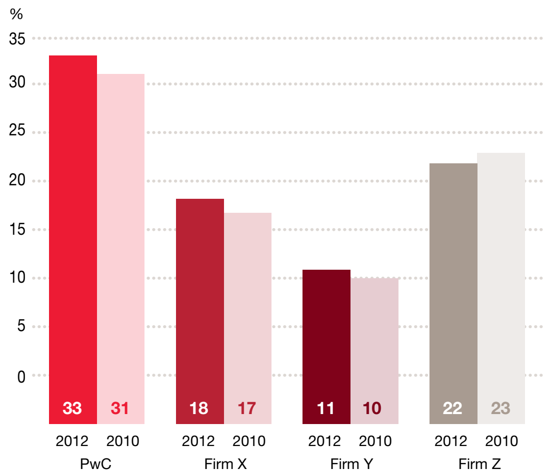
Brand Health Index[4]

One of the key measures of our reputation is our Brand Health Index score. This independent survey measures us against the other Big Four firms every two years. Respondents are asked 'Which of these firms comes to mind first as one that...?'. The review below was completed in 2012. Results from a new survey will be available in May 2014.

Has consistent high quality



Provides leading-edge advice



Read more about our focus on reputation and quality on pages 24-27.

Sustainability and community

We've been focusing on finding ways to minimise our carbon footprint and looking at how to make a meaningful difference to our communities; we also measure the social impact of these initiatives.

CO_2e emissions[5]

58,116
tonnes

FY12 62,961 tonnes

Time volunteered in the working day[6]

45,386
hours

FY12 54,267 hours

Read about our performance against our sustainability and community objectives on pages 22-23.

Growth and profit

We have a strong and growing business, despite the challenging economic conditions. We continue to win new work, add value to our clients and invest for the future.

Group revenue[7]

2,689
£m

Up 3% this year
FY12 £2,621m, up 7%

Distributable profit per partner

705
£'000

Up 4% this year
FY12 £679,000, down 4%

Statutory accounts-based profit per partner rose 2% from £798,000 to £810,000. For a view of our financial performance, see pages 34-67.

1 Figures based on direct client feedback.
2 Figures based on internal staff 'youmatter' survey.
3 Figures for the year 2 July 2012 up to and including 1 July 2013.
4 The Brand Health Survey benchmarks PwC on a range of criteria and provides data in relation to our immediate competitors. It is commissioned by PwC and conducted every two years by a third-party research agency (Perspective Research Services).
5 Based on Defra guidelines May 2012. Prior year figures have been restated. See www.pwc.co.uk/corporatesustainability for details.
6 Measured in line with the London Benchmarking Group (LBG) principles.
7 Includes UK and overseas group entities. All other KPIs refer to the UK only.

In conversation with Ian Powell

Ian Powell
Chairman and Senior Partner

We're delighted to welcome you to our Annual Report for 2013. In this question-and-answer section, Ian Powell provides you with an overview of how our firm has performed against our strategy in the past year, and outlines our position on a number of important business issues.

What do you see as the highlights of our business performance over the year?

Overall, it's been a good year and we've stayed on course in challenging market conditions. Despite continuing economic uncertainty across Europe, we've achieved responsible, profitable growth.

We've also made improvements to help us deliver a better service to our clients through ongoing investment in our people, technology and office environments. This has helped us to win business across a range of different sectors including work with iconic brands such as HSBC, Royal Mail, Direct Line and Wrigley.

Our total revenues grew by 3% to £2.7bn – a solid performance that reflects our strong and balanced portfolio of businesses, the high quality of our work and the depth of our people's expertise.

Our strategic alliance with the Middle East firm is also paying off, with the Middle East territory now one of the fastest-growing PwC member firms worldwide and very close to achieving our objective of becoming the leading professional services firm in the Middle East. We're committed to investing in the relationship and making sure that we continue to support our clients that operate in the region.

In this report we provide more detail on how we're improving our performance against a range of key measures including our community involvement and environmental impacts. A highlight is our work to encourage and support the debate on trust in business and fulfil our responsibility to help restore confidence to the capital markets.

There's no doubt in my mind that the strong year we've had is largely down to the hard work and commitment of our people. We continue to focus on our very clear and proven strategy, founded on staying close to our clients and potential clients to gain a better understanding of what they need from us. This strategy also involves setting ourselves several challenging targets – both financial and non-financial – and continually measuring our performance against them.

What does it mean to you to be the market-leading firm in your industry?

For me, being the market-leading firm is not just about scale. It's about how an organisation behaves, and how this behaviour translates into the way our firm is perceived across a range of audiences, now and into the future. In other words, it's about our reputation and our legacy.

Our firm's reputation is nothing less than our licence to do business – and we don't take our standing in the marketplace for granted. Reputations take decades to build but can be destroyed in a fraction of that time, so we take the management of our reputation extremely seriously. At Executive Board level, Margaret Cole, our recently appointed general counsel, is responsible not only for our quality and risk teams, but also our reputation strategy.

It's also important to remember that being market leader brings its own responsibilities. In my view, these include an obligation to build a lasting legacy that is founded not on short-term revenue growth, but on wider long-term objectives – including continually improving the quality of our work, achieving greater diversity in our talent base, building ever-deeper client relationships and making a positive economic and social impact. Growth is clearly important to maintaining a market-leading position: after all, if any organisation is to lead then it must first be sustainable and profitable. But if it takes actions with only a short-term agenda and objectives in mind, then these can often be at odds with its enduring values. How we train and develop our people is one example of how we focus on long-term results. We operate like a leading business school which instils a sense of independence and professionalism that helps shape the leaders of tomorrow.

Do you think that there has been enough progress in making PwC a more diverse organisation?

The simple answer is no. Despite having implemented a number of mentoring, sponsorship and development programmes, I don't believe it's good enough that only 16% of recent partner promotions were women. While we have three women on our Executive Board, I'm still disappointed that we aren't seeing the pull-through in terms of more women moving into leadership positions in the firm. We're working hard to address this issue. We have set diversity targets for each of our business units but we also know that targets alone won't drive the necessary change: what's needed is action. The diversity debate is wider than gender and that's why we're holding open discussions across the firm about why the rate of progress is slower than we'd like. This includes discussing new ways to tackle the unconscious assumptions which may prevent some of our people from fulfilling their potential.

What contribution does PwC make to the UK economy and to society as a whole?

There are both tangible and quantifiable financial measures, but we also mustn't forget the wide range of less tangible benefits that we help to generate.

Starting with the financial contribution, of our UK firm's total revenues during the past year, 16% was for work performed and billed to clients outside the UK, bringing revenues into the country. And as well as making a significant tax contribution to the UK, we also believe in being fully transparent about it. For example, last year was the first time we published the effective rate of personal tax for our partners on their distributable profit share. This year it's 43%, down from last year's 47% as a result of the recent reduction in the top rate of tax. Our total tax contribution to the UK Exchequer amounted to £960m. Our commitment to transparency is also underlined by the fact that we publish a code of conduct in respect of tax work, which we have done for many years.

Turning to our impact on UK society, this year we've taken on more than 1,200 students. Over 60 were school leavers who joined our firm as part of our Higher Apprenticeship programme.

Through programmes like this, we can support social mobility in the UK. We feel there will be an increasing number of school leavers who are unable to, or simply do not wish to attend university. We are keen to employ talented individuals, whatever their background or ethnicity. That's why I'm committed to our firm taking a lead on widening access to the highly skilled professions such as those that we have within PwC.

As an organisation, we look to undertake initiatives that have a positive economic and social impact. We are excited to be working with UK government as part of the GREAT campaign, particularly in our role as the Proud Technology Partner for the 2014 GREAT Festivals of Creativity.

"In my view, we need a common understanding, founded on trust, shared honesty and integrity, and an embedded culture of doing the right thing."

This government initiative showcases on the international stage the very best of what the UK has to offer, encouraging the world to visit, study in, and do business with, the UK. In 2014, we will be working with UK Trade & Investment to deliver a series of private-sector-led, government-backed Festivals of British creativity, which will create commercial opportunities for a wide range of UK companies and institutions.

As headline sponsors of The Old Vic Theatre's Under 25s Club, we're helping bring the arts to a new generation who might not otherwise be able to afford the average West End ticket price of £50.

One year on at The Old Vic Theatre
Since we became headline sponsors of The Old Vic Theatre's Under 25s Club in April 2012, we've helped 22,000 young people access the arts.

Another example that I am particularly proud of is our support for Wellbeing of Women, a charity dedicated to improving the lives of women and babies. As well as providing information to raise awareness of health issues, Wellbeing of Women also funds medical research and training grants, which have developed and will continue to develop better treatments and outcomes for tomorrow. We're supporting new research projects of two exceptional clinicians: Dr Leo Gurney in Newcastle who is looking into developing new treatments for premature birth and Dr Vanitha Sivalingam in Manchester who is looking into developing new non-surgical treatments for womb cancer. Our partnership with Wellbeing of Women also means that our people can get access to a wealth of health information.

There has been considerable scrutiny of the role of business in society over the year. What are your observations about business and how trust can be restored?
UK business does many fantastic things. It creates jobs, growth and wealth. It pays wages and generates the profits from which tax revenues are drawn. It innovates to improve people's lives. Yet rather than being seen as benefiting society, business today is all too often depicted as selfishly pursuing its own interest, regardless of the costs to others. I believe this sentiment is at odds with the actual values and behaviours of the vast majority of people working in commercial organisations across and beyond the UK.

This widening gap between the reality of business and how it's perceived is creating an increasingly pressing need for a new settlement between business and society. In my view, we need a common understanding, founded on trust, shared honesty and integrity, and an embedded culture of doing the right thing. I see PwC as having an important role to play in restoring that trust. This is why, through our Building Public Trust Awards and broader activities around what we describe as the 'trust agenda', we're seeking to support an informed debate on the role of business across society. We want to map out the route to a new type of 'responsible capitalism', an environment where business fulfils its obligations to society – and society in turn recognises the positive contribution made by business.

You mention how business fulfils its obligations to society. With that in mind, what's your view on the public debate about tax?
In the current economic environment, it's hardly surprising that the subject of tax is under the spotlight. Governments need to continue to attract international businesses to their shores while at the same time making sure companies pay their fair share of tax. It is a delicate balance and one that rightly exercises governments and policymakers around the world.

Because governments are competing in an international market for business investment, many have implemented tax policies aimed at attracting such investment. At the same time, businesses are becoming increasingly international and mobile. This is a fact of life in a complex global economy. Companies have looked to our profession to help them navigate their way through this complexity, so I understand why the debate over tax avoidance has included close scrutiny of the role of the large accountancy firms. We believe we have an important and positive contribution to make to this debate. But there is clearly scope for modernisation of an international tax system that is now outdated for today's business world, and we support reforms that will help to rebuild trust in the system.

In the UK, for example, a simpler tax regime and more resources for HMRC would help the tax system to run more smoothly and efficiently, which can only be a good thing in helping businesses grow and create jobs. Our firm operates under a clear code of conduct and professional guidelines, and we work closely and constructively with HMRC. We also provide technical insight to government – but only when asked to do so. And we are never involved in deciding tax policy, which is clearly a matter solely for government.

BPTA Awards
Our Building Public Trust awards, now in their 11th year, recognise trust and transparency in corporate reporting.

At the G8 Summit in June 2013, the participating countries reached an accord that should see a higher level of international agreement on the shape of an international tax system fit for the 21st century. As an economy, the UK needs inward investment to keep our country competitive on the world stage, but we also need a tax system that's fair to everyone. The UK government is working hard to get this right, but it's a delicate balance to strike, and transparency is vital.

The Competition Commission has published its provisional remedies in respect of the audit market. What is our reaction to the findings and remedies?

We think that the moves to increase transparency between regulators, auditors, audit committees and shareholders are positive. We are also very supportive of those remedies that aid competition, increase transparency between auditors and shareholders and, most vitally, improve audit quality.

Yet despite recognising the effectiveness of tenders as thorough, fair and transparent, we were surprised that after only nine months of the Financial Reporting Council's (FRC's) game-changing ten-year tendering regime being in place, the Commission concluded that there was a need to increase the frequency of tendering even further.

We believe there will be significant cost burdens and disruption for companies, regulators and firms. However, we believe we have the right people with the right skills to rise to the challenge that any change brings.

How does PwC manage governance internally?

We have strong governance arrangements in place which include a Supervisory Board and an external Public Interest Body chaired by Matthew Thorogood and Sir Richard Lapthorne, respectively. Both boards provide oversight through formal and informal mechanisms such as regular meetings and ongoing dialogue and discussion. The relationships between the Executive Board and the Supervisory Board and Public Interest body are constructive and valuable, particularly in respect of strategic decision-making.

Diyun Huang and Haichang Tao
On secondment from PwC China

In the last year 491 of our people went on assignment or transferred to other countries in our international network and 475 came here from other territories in the PwC global network.

What changes have there been on our Executive Board?

Our Executive Board continues to focus on achieving our vision to become the iconic firm – one that does the right thing for our clients, our people and our communities.

After fifteen years on the Executive Board, Keith Tilson will retire on 30 September 2013, and Warwick Hunt, currently Senior Partner of the Middle East firm, will be taking over from Keith as Chief Financial Officer. Richard Sexton took on the role of Global Assurance Leader in April and stepped down from the UK Executive Board on 30 June 2013. Owen Jonathan retired at the end of December 2012 after 10 years on the Board as General Counsel, with Margaret Cole taking over from 1 January 2013.

Keith, Owen and Richard have made very significant contributions to our firm over many years and I am grateful to them for their support as my colleagues on the Executive Board.

How important is PwC's global network to the UK firm?

Our network is vitally important, consisting of 180,000 people across 158 countries around the world, working with many thousands of clients across industries and regions. Throughout the network we aim to deliver consistently high-quality work and contribute to the stability of global capital markets.

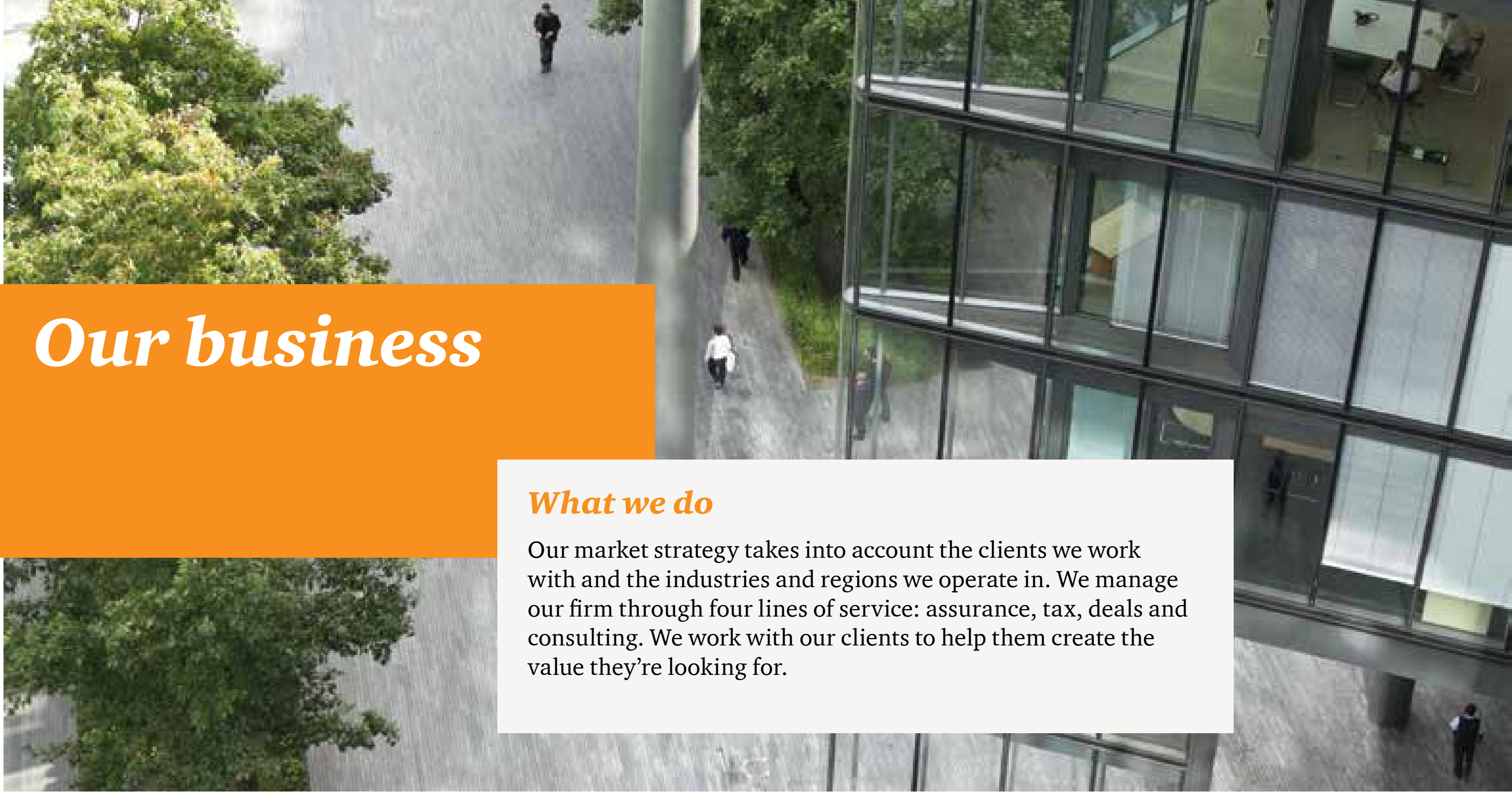
We're also continually seeking out opportunities across our network to enhance our client offerings and improve our impact on the societies and communities we work with. At the same time our global network opens up myriad opportunities for our people, including offering them the chance to go on secondments around the world.

And finally, what do you see as the key priorities for the firm in the coming year?

Our firm is in great shape. Our strategy is robust and is working, both in the UK and internationally. Our continued investment, the hard work of our people and the support of our clients have enabled us to strengthen our business. But the business environment and the competition are tough – and we can't afford to be complacent.

As one of the leading territories in the PwC global network we'll continue to play a leading role over the coming year. This includes using our capabilities to support the network's growth in other territories, and providing exciting development opportunities for our people.

I'm confident that we'll continue to add value through our rock-solid commitment to quality and doing the right thing for our clients, our people and our communities.



Our business

What we do

Our market strategy takes into account the clients we work with and the industries and regions we operate in. We manage our firm through four lines of service: assurance, tax, deals and consulting. We work with our clients to help them create the value they're looking for.

Where we do it

We have 57 offices across the UK, the Channel Islands and the Middle East. All of our people across our extensive network are working to create the value our clients are looking for.

34
UK and Channel Islands offices

Over
1,200
graduates and school leavers joined us this year

We have over **17,400** *people* *and* **874** *partners*

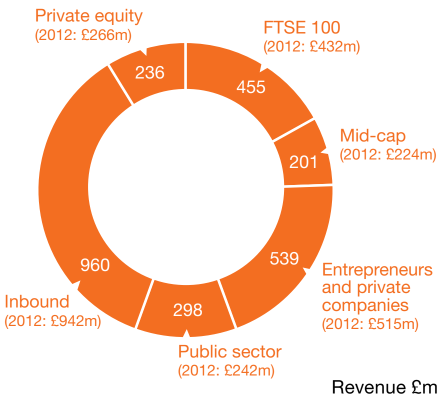
Middle East
23
offices in 12 countries

Some of our 2013 achievements

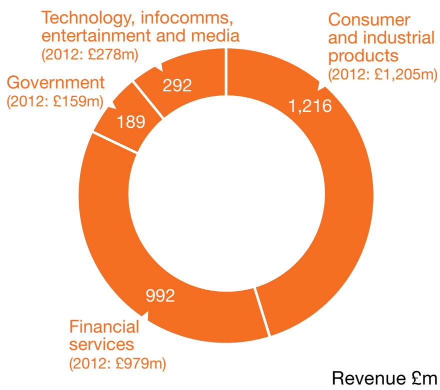
Our position in the market

- ***'Times Top 100 Graduate Employer of the Year'*** for a record-breaking tenth consecutive year.
- One of the ***'Times Top 50 Employers for Women'.***
- ***'Advancing Women in the Workplace'*** award at the Opportunity Now Diversity Awards.
- Recognised as one of the ***UK's most responsible businesses*** by Business in the Community.
- ***'Best Brand'*** at the Managing Partners' Forum, for the second year running.
- Real Deals Private Equity Awards ***'Professional Services Adviser of the Year'.***
- ***Leading reputation*** according to the UK Global Tax Monitor survey.
- ***41% FTSE 100*** and ***29% FTSE 350*** audit market share.
- ***Four wins*** at the Management Consultancies Association (MCA) Awards.
- Middle East firm awarded ***'Firm of the Year'*** and ***'Deal of the Year'*** at the Middle East Accountancy and Finance Excellence Awards 2012.

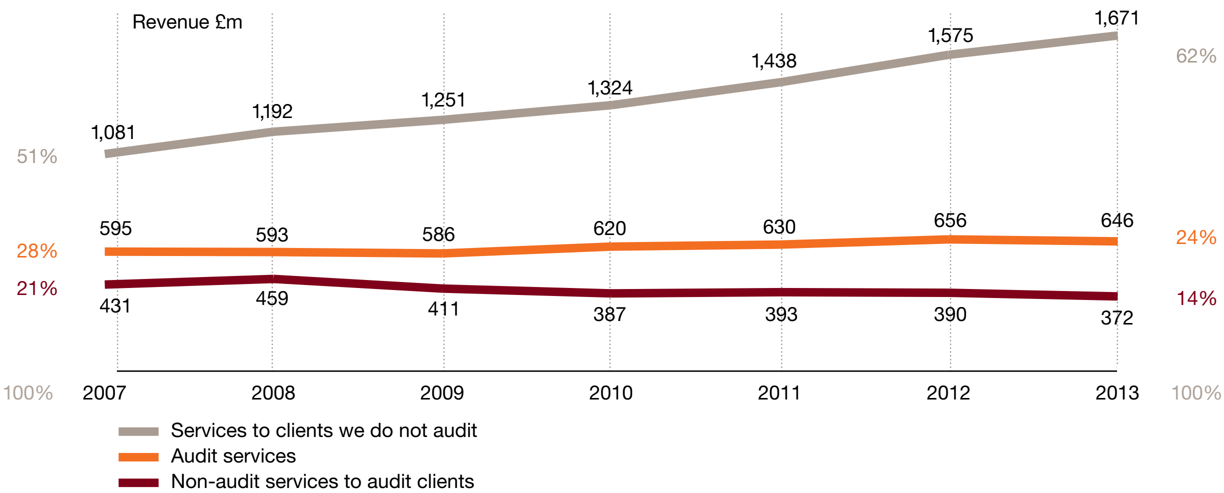
Segment analysis



Industry analysis



Service analysis



Our performance

We have continued to grow our business profitably against a backdrop of challenging economic conditions. In tough times, we have remained close to our clients and worked hard to deliver outstanding service to them.

Kevin Ellis
Managing Partner

Five years ago we set out our strategy to build a sustainable business that invests for long-term success. We've remained on course and taken decisions that add value to our clients, our people and the communities in which they work.

The Eurozone crisis and a slowdown in growth from the BRIC developing countries (Brazil, Russia, India and China) had an impact across our firm and the wider market – making growth much harder than in previous years. And this is a clear reflection of the challenges facing our clients. That said, there have been some strong performances in our business and we are pleased with our progress.

You can read our detailed financial report on pages 34-67.

We have also identified key growth opportunities for the future, which we believe are in the interests not just of our own business, but of the economy as well.

How we'll grow

As we look to the coming year, we believe that innovation is absolutely critical in helping our clients grow and perform better. And in turn, if we want to grow our revenues and continue to be differentiated from our competitors, we need to be innovative and agile in bringing insights to our clients and to the wider market. We are a richly talented firm with great strength and depth across multiple specialisms, which we are able to use to the advantage of our clients.

A great example of this is the work we've done with clients such as Puffa, Wrigley and the BBC. We worked with each of these clients to formulate questions which were then posed to all of our people. We call it *One* because it brings the creativity of all our people together for the benefit of our clients.

One goes from strength to strength

Over 10,000 of our people participated across three *One* challenges. Mark Grabiner of MGM Agencies Ltd, who hold the licence for the Puffa brand, said "I have never seen anything like *One*. PwC created some very special ideas for a sector which is known for its creativity."

Read the full story at www.pwc.co.uk/annualreport

Where potential lies in the marketplace

We believe that the commercial cyber security market represents a significant opportunity for us to work with our clients as they face far more advanced threats. The business world has changed and companies of all sizes, in all countries and across industries, are now routinely sharing information across business borders, whether it's with business partners or on employees' personal devices.

Another new service we offer recognises the importance of developing our capabilities across assurance in non-financial areas. Our Total Impact Measurement and Management (TIMM) methodology – which goes beyond a financial analysis to look at an organisation's total impact on society, the environment, the economy and fiscal position helps businesses make more informed decisions by presenting the bigger picture. This helps to understand and optimise choices to create value and deliver 'good' growth. Using TIMM, we've been sharing our thinking with the UN's High Level Panel in developing a strategy on the Post-2015 Development Agenda.

Scottish Hydro Electric (SHE) Transmission

We're using our Total Impact Measurement and Management (TIMM) framework to help SHE Transmission.

Find out how at www.pwc.co.uk/annualreport

Data analytics is another area that presents a great market opportunity for us and we are working with leading technology suppliers to embed analytics capabilities across our businesses and help our clients master the data challenge. Our clients are energised by the opportunities to extract insight and competitive advantage from the large quantities of information they inevitably generate, but they are also grappling with the challenge of governing such data and keeping it accurate, relevant and secure.

International growth

While we're continuing to invest in the UK market, we have also been investing in other territories. Four years ago, we entered into a strategic alliance with the Middle East firm. The Middle East is one of the fastest-growing regions in our network, and both firms have had a huge benefit from the alliance. The Middle East firm has been able to invest in infrastructure and its people. Our clients have benefited from stronger ties and our people have had greater opportunity to experience working in these territories.

Replicating this success elsewhere is an important priority. We see growth opportunities in using our reservoir of talent in overseas developing economies like the Middle East and also in Central and Eastern Europe. Not only does this benefit our firm and the PwC global network, it will also be good for the UK economy.

As one of the largest firms in the PwC network, we participate actively in driving the firm's international strategy and our partners are actively involved in building our networks, brand and reputation. Creating a balanced and sustainable business is a priority not just for the UK, but also for our international network. Our brand and reputation is as vital to us as our financial success and we will continue to build a strong network in the interests of our clients, our people and the communities in which we all work.

A secondment to Qatar

David Yates is a senior manager in our International Tax team and he's on secondment in Qatar helping to build our tax practice in the Middle East.

Go to www.pwc.co.uk/annualreport to read the full story

Looking forward

We are well placed to deal with a changing regulatory environment, particularly in respect of our audit business and the requirement for more frequent audit tendering. We are well prepared to retain our existing audit clients, but this is also a great opportunity for our firm, as the market leader with unrivalled expertise and capacity, to win new audit clients. We also see significant audit opportunities at private and medium-sized listed companies.

The great strength of our business, though, is the balanced nature of our portfolio and our ability to be responsive to changing market opportunities. As well as providing services to our audit clients, this year 62% (2012: 60%) of our business came from clients we do not audit and we are are in a strong position to provide an extensive range of services to them. We have invested in all areas of our portfolio for the medium and long term and all our businesses have good growth prospects.

The balance of our inbound and outbound business is also strong and we see considerable growth opportunities both in the UK and internationally. We believe this growth will come from organisations of all sizes, but we also see a particular opportunity as medium-sized companies respond to improving economic conditions. As we've already mentioned, we expect continued high demand for those services that help our clients to remain competitive and secure in a fast-changing environment: specifically, our cyber security, consulting and data analytics capabilities.

We remain focused on maintaining and enhancing PwC's position as a trusted leader in its field, both in terms of business performance and wider social contribution. Our core values of integrity, independence, professional ethics and professional competence continue to inform all that we do.

Clients and markets

Stephanie Hyde
Regions

Helping private businesses achieve their objectives

The Rigby Group is one of the largest family-owned businesses in the Midlands and was founded nearly 40 years ago by Sir Peter Rigby. Originally a pure IT group, with its technology solutions businesses, SCC and SDG, it has more recently diversified and created a chain of boutique hotels – The Eden Hotel Collection – and a substantial aviation business including Coventry Airport.

Read the full story at www.pwc.co.uk/annualreport

Standing in our clients' shoes

Fundamental to our brand and client service philosophy is the idea of putting ourselves in our clients' shoes. We work closely with them to understand their industry and market challenges and how we can support them to achieve their objectives. These vary from the Audit Committee that expects robust assurance to the CEO looking to refresh their growth strategy.

It is vital that we listen to our clients. We try to do this as we work with them day-to-day and we also regularly measure how we're performing against their expectations. We are keen to understand whether and how we are delivering value for them and whether they'd recommend us to others. They tell us that they value the committed and collaborative nature of their relationship with us and the pragmatic, tailored advice we give them. They value our teams for proactively sharing insights and bringing ideas and specialists to the table.

John Wood Group PLC

Allister Langlands, Chairman of John Wood Group PLC talks about how a relationship with PwC has been of value to his firm.

Read the full story at www.pwc.co.uk/annualreport

The CEOs and business owners we talk to face an unprecedented level of challenge and complexity, wherever they operate and whatever their sector. There are numerous issues on their minds: regulation, public scrutiny, accountability, ageing infrastructure, increasing globalisation, cyber security, and the shift to digital. We work alongside them as they deal with how these challenges affect their business.

We have been working with a number of financial institutions over the last few years, to help them work through the changing regulatory environment and review their structures and processes, particularly in light of the significant level of public interest in the sector.

We also analyse industry trends and concerns across numerous sectors. We published studies, surveys and research to share insights with our clients. Recent examples include *Northern Lights: Where are we now?*, which is a study into the importance of the changing environment that UK-based oil and gas businesses face; our *Global Entertainment and Media Outlook*, which highlights current trends in the complicated, changing world of media and describes their impact; and *NHS@75*, published in July 2013, which explores the concept of a future 'healthy state' and the steps needed to deliver this ambition.

Delivering sustainable success

We try to give our clients confidence in their decisions for the long and short term, which helps them compete, innovate and achieve sustainable growth.

Richard Oldfield
Markets and Industries

We helped the UK's leading student accommodation provider, UNITE, to develop a new digital business model that will provide it with the growth prospects needed to meet its strategic aspirations. Our ability to draw on the knowledge and expertise of our firm, including specialists from our valuations, corporate finance, higher education and digital practices, played a big part in achieving this success. Our work with UNITE has opened up a number of hugely exciting opportunities that have the potential to grow the business, significantly expand its customer base and further enhance the brand. The diverse range of expertise that exists within our firm, when combined, is very powerful.

In the UK our Health team supported Sir Bruce Keogh in his review of quality of care and treatment provided by 14 hospital trusts in England. The approach we took in the review has been recognised as one that could shape the assessment of care quality in hospital trusts in England in the future.

In the Middle East we have been engaged to assist the Ministry of Health in Libya to quantify and finalise payments due to healthcare and other providers in a number of countries in Europe and the Middle East for the treatment of the thousands of people injured in the Libyan conflict. PwC was required to oversee a robust and transparent process to review the claims and make sure settlements and payments were made to the providers as quickly as possible.

EDF Energy and low-carbon energy

EDF Energy believes that a diversified energy mix will offer society an energy supply that's secure, affordable and carbon friendly. Central to this is its new range of 'Blue' products with tariffs based on nuclear-sourced generation.

Blue is all about making nuclear power simpler and easier to engage with. The company's promise to customers is that it will buy enough electricity generated from a low-carbon nuclear source to match every unit of electricity its Blue customers use.

Our job was to help make sure EDF Energy was keeping to its promise. We did this by tailoring our traditional financial audit methodology to evaluate EDF Energy's procedures and controls. The result was an easy-to-access assurance report that was designed to show whether the promise had been kept or broken.

Find out more at www.pwc.co.uk/annualreport

The EDF Energy team
(L-R) Matt Cleveland (PwC), Ceri Scott (PwC), Paul Bennett (EDF Energy) holding the 'Blue' mascot Zingy, Richard Porter (PwC), Jules Davenport (EDF Energy), Rachel Nevens (EDF Energy)

Supporting UK growth

We are proud to audit many iconic UK-listed companies; Shell, Tesco and Barclays to name but a few. Our work offers a level of confidence to shareholders and the market, and creates a foundation for growth.

It's important to us that we play a part in increasing the nation's prosperity not only domestically, but also through inward investment. The more we support a transparent and trusted economic environment and help companies succeed, the more we can help drive growth, job creation and a sustainable UK economy. UK Coal was facing serious financial challenges and brought us in to help restructure the group, keeping nine mines open and preserving 2,000 jobs.

While our brand is strongly associated with our work for listed companies, we are incredibly proud of our work with thousands of private and family businesses. We work with home-grown organisations as they look to expand both in the UK and globally. These businesses have a critical role to play in building a sustainable UK economy and we help many of them plan for the long term and develop into future global brands. It's great for us to be able to support the Private Business Awards and help showcase the businesses that are the foundation of the British economy.

As we keep pace with the changing UK market, we want to acknowledge leading practice and champion innovation. We support the UK Tech Awards which recognise the contribution companies are making to the technology industry.

Operating globally

With the support of our global network we help overseas companies come to the UK and thrive. By working effectively cross-border, identifying the best people locally, and using our local knowledge and insight, the UK firm can bring a wealth of experience to support clients. For example, we have worked with businesses of the Tata group in the UK, a major inward investor and employer in the country, in practices ranging from managing risk to technology optimisation.

To help us have a better understanding of the international environment and how we can help organisations invest overseas and support inward investment we launched the Africa Business Group (ABG). This helps connect UK businesses with Africa and keep them abreast of current trends. The ABG complements our existing network of teams working with developing markets, including China and India.

Successful relationships

We want to deliver an exceptional experience for our clients every time so that they're proud of their relationship with us and confident in the value we bring. When our clients are assured and confident, so are we – it's about shared success and that's what will make our business performance sustainable.

Assurance

£969m

revenue (+1%; 2012: £963m)

Business performance highlights

Assurance

We deliver assurance services that include statutory audit, internal audit, risk assurance, actuarial services and advice in connection with capital markets transactions. Our practice has almost 7,000 people who are part of a network of over 84,000 PwC assurance professionals around the world.

Our profession has made it on to the front pages in recent months, with audit regulation and market reform high up the public policy agenda. We welcome this increased scrutiny. It offers a unique opportunity to demonstrate the relevance of and need for trust and assurance in the marketplace. We'll continue to play our part in restoring this trust in the quality, independence and objectivity of an audit. Quality is at the very heart of what we do: it is essential to our reputation, important to the work that we undertake for our clients and a fundamental strategic objective for the firm. We are pleased that the Financial Reporting Council's (FRC) Annual Quality Inspection Report showed continued year-on-year improvement. The observations and recommendations in the report help us focus on and deliver continuous quality improvements. We remain proud of our FTSE 100 (41%) and FTSE 350 (29%) audit market shares.

Investment and innovation remain key to the future of the PwC audit. Our Audit Transformation Programme was set up four years ago with the aim of delivering higher quality audits, more efficiently, while delivering greater insight to our clients. We are making significant investments in our audit methodology and new technologies necessary to deliver an insightful, efficient and high quality audit.

As well as audit, our other assurance services have gone from strength to strength and now account for almost one third of our assurance business. Our risk assurance business is the largest of these other assurance services, growing by 15% in the past year. It continues to innovate in helping clients deal with or prevent governance, risk and control issues – from technology to talent, processes to compliance, regulation to reputation, we are providing independent insight and assurance to our clients over a broad spectrum of risk areas.

We were delighted to be asked by EDF Energy to deliver an innovative assurance project designed to help build customer trust. We tailored our traditional financial audit methodology to evaluate its procedures and controls to make sure it met its commitment to customers to match their energy supply to nuclear-sourced generation. Read the story in full at www.pwc.co.uk/annualreport.

Over 1,300 people joined our assurance teams during the year. This was a mix of experienced hires and graduates, and we also had a number of people from other PwC territories join us on secondment.

We think the time is right to enhance the value of audit. We'll work with companies, investors and other stakeholders to give them the assurance they need to invest in corporate UK with confidence. We'll continue to invest in improving audit quality and how we deliver our assurance services.

James Chalmers
Assurance

The Business Media Total Audience Certificate

The Business Media Total Audience Certificate. Developed in conjunction with the Audit Bureau of Circulation (ABC), as well as publishers and advertising agencies, the certificate allows publishers to measure and report audience size and profile across multiple media platforms including print, website, tablet and smartphone.

Read about how we helped create a groundbreaking new industry standard for measuring audience reach and quality at www.pwc.co.uk.

Tax

£680m

revenue (+3%; 2012: £659m)

Tax

With over 3,300 talented people, we have the largest UK tax practice and the leading reputation, according to the UK Global Tax Monitor. We work with business, entrepreneurs, private clients and public sector bodies on services including direct tax, personal tax, VAT, pensions, wealth management, advice on HR matters, mobility and reward.

Over the last year, the tax environment has changed significantly and we expect more changes ahead. We have adapted by investing in new areas, including transforming HR functions through technology and our joint venture with PensionsFirst Analytics to develop a new pension analytics platform called Skyval.

Tax is a significant cost for businesses and individuals. Our role is to help companies and individuals understand complex tax rules, taking into account their commercial circumstances while managing multiple stakeholders' needs. We have a global code of conduct, which considers clients' technical requirements alongside their reputational interests. We have helped clients ensure their tax policy and strategy is reflected in their operations through our Tax Risk Assurance business.

Our international knowledge and the power of our global network are critical to advising clients on managing or expanding their international operations. We have continued driving the 'Britain open for business' agenda and advised a number of companies on relocation to the UK.

Kevin Nicholson
Tax

Tax is in the spotlight like never before and we have been at the heart of this debate. Our Total Tax Contribution framework, which measures businesses' tax contribution, are in their ninth year and our Building Public Trust Awards, which recognise trust and transparency in Corporate Reporting, are in their eleventh.

In the coming year, we will continue contributing to the debate on tax to the benefit of the economy and business. Above all, our focus remains on bringing our clients the very best of our practice and firm.

Direct Line Group

In 2009, RBS began preparing Direct Line Group for sale. This called for the creation within Direct Line Group of a fully operational, standalone HR function to cater for the company's more than 14,500 employees.

The stakes were high. Failure to achieve a successful HR separation by June 2012 would have potentially catastrophic effects – including risking the derailment of Direct Line Group's initial public offering scheduled for October 2012.

With this in mind, RBS embarked on the HR separation, but by December of 2011, the programme was behind schedule and many stakeholders and external advisers thought that the June deadline was an impossible task.

To read about how we took on the challenge and used a disciplined and highly innovative approach to condense what should have been an 18-month transformation into only six months visit www.pwc.co.uk/annualreport

Deals

£562m

revenue (0%; 2012: £561m)

Deals

Our Deals practice has over 2,200 people. It includes business recovery, forensic and transaction services and corporate finance.

Our business recovery practice had a record year, delivering significant national and international assignments in existing and new areas, such as working capital advice. We're proud to have been involved in saving thousands of jobs through our work on UK administrations in the past year. One example was the administration of Manganese Bronze, the manufacturer of the iconic London black cab. We helped the company overcome its production difficulties, secure new investment and ultimately sell the business.

Major progress was also made on all the aspects of the Lehman administration. Multi-billion-dollar claims made by four separate overseas Lehman affiliate companies were resolved. It now looks likely that our efforts will eventually provide a full return to ordinary unsecured creditors and trust creditors alike, which is a remarkable outcome.

Our forensic services team were asked by Phoenix IT to help investigate a large and complex accounting misstatement spanning a number of years following the circumvention of its control processes. Bringing together specialists from our investigations, corporate intelligence and forensic technology teams we were quickly able to help Phoenix understand what had happened and remediate its control environment in order to help provide comfort to the market.

We provided the lead advisory and due diligence transaction advice for Mizkan, a privately owned Japanese food company, on its acquisition of both Sarson's Vinegar and Branston from Premier Foods. We are now working with teams from Consulting to help Mizkan establish these as stand-alone businesses.

We won a number of awards including Professional Services Adviser of the Year at the Real Deals Private Equity Awards and Corporate Recovery Firm of the Year (Large Firms) at the annual Insolvency and Rescue awards. Lucy Cannell from our Southampton office was named Insolvency Manager of the Year. We also won the ICAEW Middle East Deal of the Year award.

Our Deals practice has a talented and commercially astute team of people who are able to focus on complicated business challenges and deliver insight and value to our clients. While the mergers and acquisition market has been flat in recent years, we are extremely well positioned to continue adding value and help our clients achieve success.

John Dwyer
Deals

Countrywide IPO

In March this year, we advised Countrywide on its FTSE 250 listing. We've been working with Countrywide since 2007, initially as its auditor and then across a number of disciplines. Teams from Transaction Services, Tax, Capital Markets and HR advisory have all played a role in getting to know the client and building a strong relationship, so when we were told the IPO needed to complete in just ten weeks, we were ready to go.

Find out how we delivered within this very tight deadline at www.pwc.co.uk/annualreport

Consulting
£478m
revenue (+9%; 2012: £438m)

Ashley Unwin
Consulting

Consulting

We have over 2,100 people in our Consulting practice, which is made up of consulting and sustainability and climate change services. We help our clients make lasting improvements to their businesses. Our clear ambition is that, globally, we can innovate our thinking faster, use the PwC global network and take our best ideas to our clients across all markets. You can read more about this at www.pwc.co.uk/consulting.

Throughout this year, we have continued to develop our seven consulting propositions. They incorporate the best of our thinking into compelling frameworks that are specifically relevant to clients' strategic and transformational agendas. Our propositions help clients grow revenue creatively, digitally and globally; integrate successfully following a deal; create insight to improve business performance; remove complexity within operating models; operate globally with the right business model; improve efficiency and value from support services; and reduce cost for the longer term.

Vodafone, Telefónica and Everything Everywhere

With smartphones and other portable devices now in the hands of most UK consumers, companies are understandably keen to find new ways to deliver tailored offers and advertising to them. Telecoms giants Vodafone, Telefónica O2 and Everything Everywhere (now rebranded as EE) each wanted to be the first to turn this aspiration into reality. They realised that their proposition would be more powerful as a joint venture (JV).

Aware of the dauntingly high failure rate of this kind of JV, the three companies drew upon our expertise.

Find out more at www.pwc.co.uk/annualreport

This year we've received a lot of external recognition. We had great success at the 2013 Management Consultancies Association (MCA) Awards, with four wins. We won the 'People' award for our work on the National Apprenticeship Service project; the 'Performance Improvement in the Private Sector' award for our work with Bombardier Transportation; the 'Strategy' award for our work with telecoms giants Vodafone, Telefónica and Everything Everywhere; and the 'Young Consultant of the Year' award, which was won by Rebecca Lloyd.

Our Sustainability and Climate Change (S&CC) team won three awards for its work on 'responsible investment' with private equity clients. We were Corporate LiveWire's Sustainability Private Equity Advisor of the Year and UK Sustainability and Climate Change Team of the Year at the Finance Monthly Global Awards. Phil Case was named Global Sustainability Private Equity Advisor of the Year at Finance Monthly's M&A Awards. And Celine Herweijer was announced as a 2013 Young Global Leader by the World Economic Forum (WEF).

We've continued to work with colleagues from other parts of our business to help our clients create the value they're looking for and contribute to the overall success of the firm. In the year ahead, we'll continue to focus on our growth strategy, in particular helping clients support their technology transformation agendas, and keeping our people engaged and motivated.

Our people

Our people are our biggest asset. We do all we can to create an environment where we attract talented people who are motivated to give their best and reach their full potential.

Gaenor Bagley
People

The best place to build your career

We believe it is vital to continue to invest for the long term in recruiting and developing highly talented people. This year we again recruited over 1,200 students, including over 100 school leavers.

We recognise that some talented school leavers want to start work straight away, whereas some would like to study for a degree first. We're always looking to open up different routes into our firm, so this year we have higher apprentices training in all of our businesses.

More and more students are starting their search for a graduate job before their final year. And because finding talented students and school leavers is an important part of our strategy we're continuing to adapt our approach so it meets the needs of students. We offer

Our people strategy has three areas of focus:

A great people experience

We want to recruit talented individuals and make sure our people have meaningful work, that they are motivated to give their best, and also that our clients' experience of working with us is a great one. We realise it's vital to keep up the momentum and so we offer our people lots of opportunities to tell us how we can make PwC an even better place to work.

Valuing difference

Having a diverse workforce with a broad range of strengths helps us do better work for our clients. We want all our people to flourish whatever their background, race or gender.

We believe in creating an environment where every PwC employee can be themself at work and where different skills are valued and used to bring creative solutions to our clients.

Agility

Market volatility and the constant demand for new services mean that we need to be agile to develop, move, adapt and recruit people quickly to meet client needs.

We encourage our people to move around the firm and the PwC international network. As well as giving them interesting opportunities, this exchange of ideas and experiences is good for the firm and for our clients.

a number of different work experience programmes so students can boost their employability and make informed career decisions. These range from insight days and work shadowing to six- to eight-week paid internships. This year, over 500 students joined us on our paid internship programmes.

In addition, we now support three partnership accounting and finance degree programmes. The one at Newcastle University has been running for 10 years and we recently started new programmes in conjunction with the Henley Business School at the University of Reading and with Nottingham University.

We've also continued to recruit experienced people. This year, 773 experienced hires joined our business across the UK. This is slightly down on last year, reflecting a more volatile economic environment, and explains the small reduction in overall staff numbers. For the tenth consecutive year, we were voted The Times UK Top 100 Graduate Employer of the Year and, for the 15th consecutive year, voted Employer of Choice for Accounting. Our investment in recruitment has paid off.

A place to learn and grow

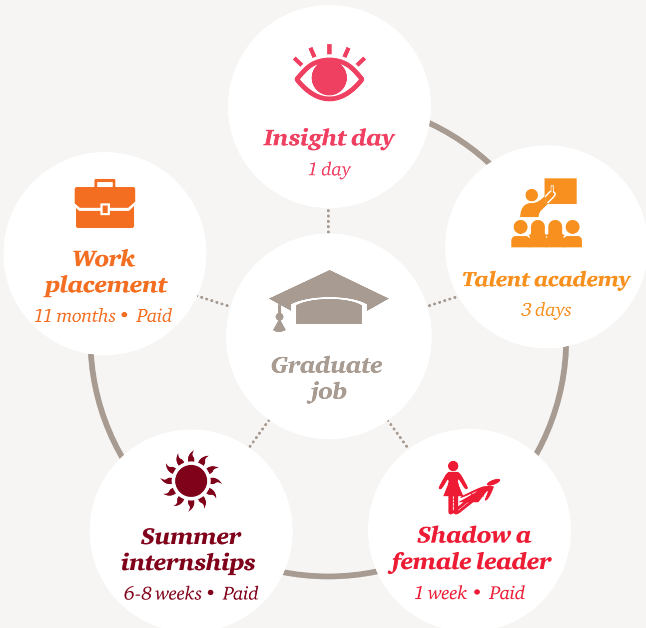
We know our people particularly value the opportunities we provide for them to develop and learn new skills. This year we spent around £20m on developing and delivering formal training programmes and over 900 students joined our professional qualification training routes. As well as building technical skills, we expect all our people to build relationship, leadership and commercial skills. Most of this training comes through on-the-job coaching and challenging client assignments. We support them in this through a range of flexible learning programmes, many of which can be delivered as and when required, in and around day-to-day work.

This year 22 female students from 15 different universities joined us for a week's shadowing in 12 of our offices across the UK. The programme is one of the many ways in which we try and encourage more female students to consider a career with us.

Assurance partner Kate Wolstenholme, who was shadowed by Chiwei So

Investing in graduate skills

We offer many different work experience programmes so students can learn more about us and boost their employability. They help people make an informed decision about which career opportunities are best for them.



To find out more, visit www.pwc.com/uk/careers

Ryan Bright
One of our consulting apprentices

This year we're recruiting over 100 school leavers all of whom will be joining our Higher Apprenticeship Programme. This two-year programme is designed to give them knowledge of the industry and market, technical and business skills, while studying towards a professional qualification and a Level 4 Higher Apprenticeship Award, equivalent to the first rung of a university degree-level qualification.

A diversity of experience

Not many people realise the wide variety of backgrounds from which our people come. For example, we have a former senior official from MI6 in our Corporate Intelligence team and a former prison governor in our Consulting team. We have a doctor and a nurse working as consultants in our Healthcare team. Having people with a broad and diverse range of skills and experiences means we're in a better position to understand the industry sectors we work in. As well as this, if we bring different views and different experiences to our clients and to the workplace, we'll add more value to our clients and that's good for business and good for our people.

Diversity in senior roles

Earlier this year, we won an Opportunity Now Diversity award for 'Advancing Women in the Workplace'. We were also listed as one of The Times Top 50 Employers for Women.

The 'Advancing Women in the Workplace' award recognises recruitment, retention and/or development of women in the workplace. We won the award for the female partner sponsorship programme we launched in 2010 to increase the number of female partners in leadership roles.

While we have a lot to celebrate, we're not complacent and still have a way to go. We were disappointed this year that only 16% of new partners were women, which the Executive Board is determined to address. To help our best people to develop and progress their careers as quickly as they are able, we launched a support programme for our high-potential female and black and ethnic minority directors and senior managers.

We launched the campaign 'Opening Minds – diversity is good for growth' in March 2013. The aim was to raise awareness of the benefits diversity has for our business and how our firm needs to value the difference of its diverse talent to support its business growth targets.

It isn't about positive discrimination; it's about creating a level playing field for all, regardless of gender or race – and doing this as quickly as we can. This isn't just the right thing to do ethically; it's the right thing to do commercially. Attracting the brightest and best from the widest pool of talent helps us service our diverse, global clients better.

A great people experience

We ask our people for their views on what it is like to work at PwC in a number of ways. We have a biannual people survey and we run a number of focus groups with small groups of our people at all levels. There are also numerous opportunities for our people to interact with senior leaders, including town hall meetings, debates and webcasts.

Employment engagement is at the centre of our strategy. We are disappointed that our score has dropped slightly from the high levels in April 2012 and we are continuing to focus on this.

Almost two years ago, we introduced a new framework called 'the deal'. This is helping us to engage with our people and understand what they want from the firm and what our firm expects from them. You can read more about this on page 21.

Staying focused

In the year ahead, we'll continue to stay focused on engaging with our people so their work is meaningful and motivating. We'll continually look for opportunities for our people to develop new skills. And we'll continue to work at finding ways to make sure our client and leadership teams are sufficiently diverse. We want everyone to have the chance to reach their full potential and enjoy being part of an exciting and successful firm. We plan to keep making this happen.

The deal

The deal is a framework designed to understand better what our people value from working with us and what we expect in return.

We have redesigned our employee survey so that our staff can share their views on the deal we offer and we can take action. The deal framework is integral to our development conversations with our people so that they can play to their strengths and focus on what matters to them.

We recognise that one size doesn't fit all and each person will value something different. For some it'll be the chance to work with highly motivated, highly skilled people or the chance to mentor or coach junior staff and help them develop their career. For others it may be a healthy work-life balance and flexible working hours. And some may want the chance to travel, be able to shape their own future and feel like they're making a difference.

Go to www.pwc.co.uk/annualreport to hear from some of our people about their deal.

Our people
Left to right top: Antoinette Kyuchukova and Bethan Grillo
Left to right bottom: Kulsum Seth, Moonir Kazi and Brian O'Neill

Recognition

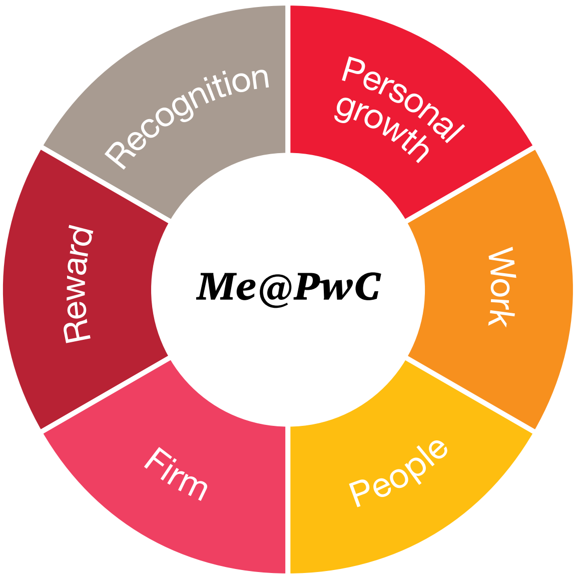
We want all our people to feel valued for who they are, their personal contribution and their potential.

Reward

We'll reward our people fairly and competitively.

Firm

There's a chance to be part of something special and enjoy experiences that will stay with them.



Personal growth

We give our people opportunities to help shape their career and fulfil potential.

Work

We offer our people the chance to work with many of the world's leading companies and organisations where the work will be both challenging and stimulating.

People

They'll be able to build long-lasting relationships, both within and outside the firm, which will stay with them throughout their career.

Our environmental and community responsibilities

Throughout this report we talk about how we try to do the right thing across a diverse spectrum of activity, from our Building Public Trust initiative to our talent and people strategy. This objective also extends to the environment and the communities in which we operate.

Fire Station
The Fire Station is a social enterprise hub near our More London office. It also houses the Brigade restaurant.

We develop new services to support a more sustainable economy, and we create new ways of working for ourselves to lessen our impact on the environment. This year, we continued with this approach and tried to make sure that our earlier investments are having a greater impact across our whole business.

Innovating towards a new view of business

Businesses, investors, governments and other stakeholders are increasingly looking beyond pure financial return on investments, and our award-winning Sustainability and Climate Change practice continues its pioneering work in addressing this need. For example, we've been using our Total Impact Measurement and Management framework to help clients measure the social and environmental impacts of their activities. You can read more about this at www.pwc.co.uk/TIMM.

We've been working with the Department for International Development (DFID) to coordinate its IMPACT programme in Africa and South Asia. DFID's new IMPACT Fund is investing up to £75m of public money to fund innovative solutions for development and help create sustainable investment markets that work for disadvantaged communities. We've helped leading multinational insurance group RSA, formerly known as Royal Sun & Alliance, develop a new sustainability strategy. Chief Executive Simon Lee had this to say about our work: "PwC brought both an external perspective and challenge to our thinking, both invaluable as we developed our revised Corporate Responsibility strategy."

We've continued to publish insights to support the sustainability agenda. Our *Low Carbon Economy Index: Too late for two degrees?* report has been used widely by NGOs and governments around the world. We also produced a report for Defra on the international threats and opportunities of climate change to the UK.

Reducing our own environmental impacts

We're committed to reducing or eliminating the adverse effects our business has on the environment, wherever possible. Our clients and our people expect it, and it also helps us reduce costs in a number of areas.

Over the past 12 months we've continued to make improvements. Our carbon footprint is down by nearly 8% compared to last year; this now totals 58,116 tonnes. This means we're currently ahead of our goal to reduce our total greenhouse gas emissions by 25% from 2007.

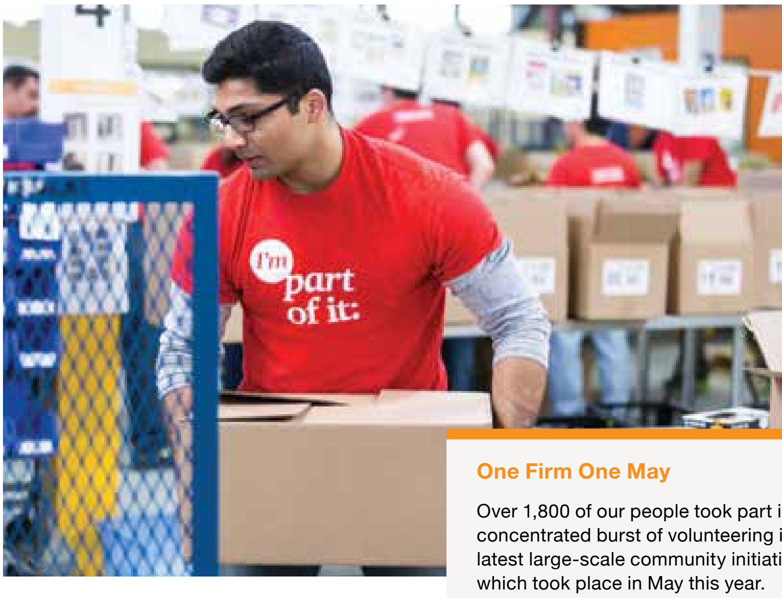
Sustainable living at Unilever

During 2012, we worked closely with Unilever to assure a range of sustainability indicators within its game-changing Unilever Sustainable Living Plan. Our work, which marks a fundamental departure from standard financial reporting information, was to assure selected performance information across Unilever's value chain from the sourcing of raw materials right through to the use of its products by consumers.

Read more at www.pwc.co.uk/annualreport

Our business travel carbon footprint has dropped year-on-year by 7.4%. Travel is still one of the most challenging environmental impacts for our business. This is why we've launched a firmwide programme to encourage online meetings. We'll report back on its performance next year.

Other environmental impacts – energy, water and paper usage – are on track to meet our targets for 2017. We've disposed of 3.4% less waste this year.



Watch the video online at www.pwc.co.uk/annualreport

One Firm One May

Over 1,800 of our people took part in a concentrated burst of volunteering in our latest large-scale community initiative which took place in May this year.

Find out more at www.pwc.co.uk/annualreport

Electricity consumption in particular has fallen by more than 13% compared with last year, largely through good energy management and running the trigenerator in our More London office on biodiesel for a full year. The trigenerator is both energy-efficient and less carbon-intensive.

Helping entrepreneurship flourish in our communities

Last year, we started to focus our community engagement on areas where we could use our business and measurement skills to support social enterprise in the UK. One example of this, which we featured in this report last year, is the Fire Station, our social enterprise hub, and Brigade, our social enterprise restaurant.

We also continue to support the School for Social Entrepreneurs which is also based in the Fire Station. We fund six bursaries throughout the UK as well as mentoring support to over 40 social entrepreneurs. As a follow-on to this, we've launched the PwC Social Entrepreneurs Club across the UK which is helping over 190 social entrepreneurs and we've opened five new Centres for Social Impact in Scotland, the North and the Midlands.

These centres are places where our people can share their business skills with social entrepreneurs to help them attract investors, or provide other support.

To give all these initiatives a boost, we ran a month of employee volunteering as part of our 'One Firm One May' programme. This saw over 1,800 of our people dedicate almost 16,000 hours to help social enterprises up and down the country.

We've continued to improve how we measure our volunteering initiatives to give us a better idea of the number of people we've been able to help, which is 15,113 this year. And we've increased our focus on the impact of our volunteering. While the total number of hours is down from last year, at 45,386 hours, the impact is greater. We've developed a way of assessing the social value of our efforts. It shows that there are increased levels of business awareness, job readiness and confidence as a result of the support from our people.

In the year ahead, we'll continue to look for ways to improve what we do and we'll also continue to help our clients adopt practices that are sustainable for the long-term. For more information visit www.pwc.co.uk/corporatesustainability.

Our focus on reputation, quality and risk management

Margaret Cole
General Counsel

We work with a wide range of stakeholders and believe it is vital to be as transparent as possible in helping them understand what we do and how we do it. Acting with integrity and demonstrating the values that we uphold as a firm is critical to our reputation and sustained success.

The financial crisis and a perceived decline in the standing of business in society has resulted in increasing focus on how organisations conduct themselves, whether they can be trusted and whether they are demonstrably living and breathing the right values.

We are alert to this and we work hard to foster a working environment that creates a positive culture underpinned by strong professional ethics and behaviours.

We believe that if we can achieve the right culture supported by an appropriate tone at the top then 'doing the right' thing becomes the norm amongst our people.

This commitment to 'doing the right thing' is central to PwC's strong brand and trusted reputation. We always need to be aware of the threats to our reputation and have put significant focus on this issue at the senior level. We recently appointed two UK partners to lead our reputation and regulatory strategies respectively, which is a clear demonstration of the importance we give to this area.

Most recently, we have been the subject of unprecedented public scrutiny as a result of the Competition Commission's investigation into the large audit market and the ongoing debate on tax issues.

As a responsible business organisation, we believe that engaging in a transparent manner with key stakeholders is vital to ensure that there is strong mutual understanding and that matters affecting our profession are properly debated and examined, with all the relevant facts on the table.

Culture – who we are and why it matters

We regard the tone from the top of our organisation as critical to upholding our core values of integrity, independence, professional ethics and professional competence. Our leaders communicate both internally and outside the firm about our core values and we ensure that these values are reflected in personal objectives set annually.

We expect our people to take personal responsibility for bringing these values to life, so that we can rightly claim to be the high quality trusted advisers that we all aspire to be.

Quality embedded in all we do

We are committed to delivering high quality work for our clients and take our public interest responsibilities extremely seriously. Our focus on quality is a priority for our Executive Board and we work hard to ensure that we have quality embedded in all our work through tools and processes, training and experience and by having the right culture and values.

In addition, our Public Interest Body, which includes a majority of independent non-executive members, takes a keen interest in quality and discusses at its meetings regular reports from the Executive Board member responsible for Risk and Quality.

People and training

We aim to recruit, train, develop and retain the best people. We have structured programmes to deliver high quality service. This training encompasses the ethical values and behaviours that are needed to meet our public interest responsibilities.

In addition, for certain types of work we specify levels of experience and specific additional training to ensure that the individuals are equipped to undertake that type of work.

Tools and processes

We invest in the right tools and processes to ensure that our people are able to deliver consistently high quality work. Updating our tools and processes is important as it allows us to develop and build on our thinking in ways that are innovative, effective and efficient for all of our clients and other stakeholders.

Review and continuous improvement

Our assessment of quality is ongoing. We have review programmes throughout the year and we have independent teams that evaluate our partners and staff both when client engagements are ongoing or when they are completed. We do this to ensure that we assess compliance with quality standards as well as regulatory requirements. Findings and feedback are discussed with line management and client engagement teams so that changes and improvements can be reflected quickly and appropriately. We are also subject to external review and we work constructively with the audit inspection functions of the Financial Reporting Council and the Institute of Chartered Accountants of England and Wales (ICAEW), each of which carries out annual assessments of our audit work with a range of clients.

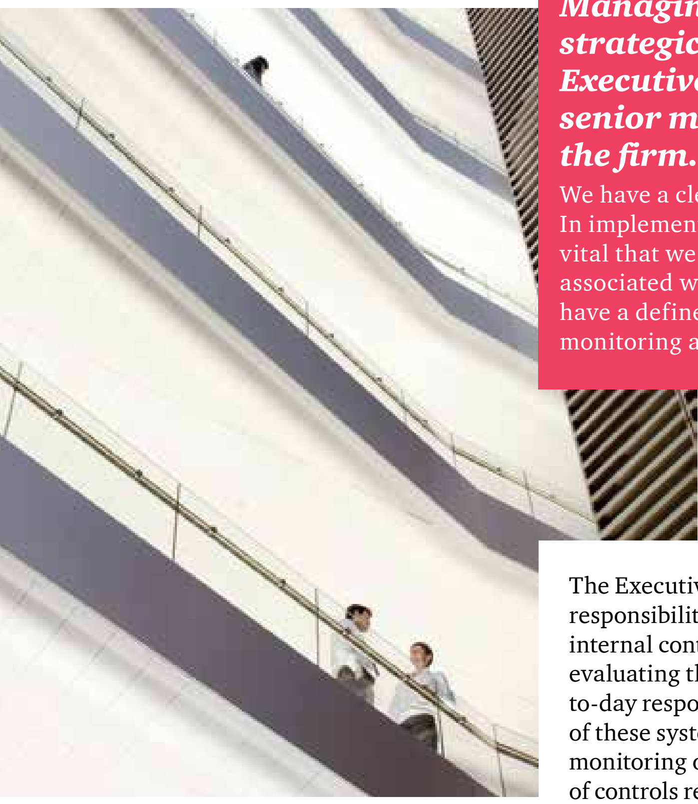
Building on and learning from our experiences

We believe that our reputation for quality is high. However, given the size and nature of our business we, like others, do sometimes fall short of the high standards we set ourselves. When this happens, we are honest with our clients and ourselves about what has gone wrong and we seek to discuss and resolve the issues with the client. We seek to learn lessons from these experiences and share them to avoid them being repeated.

Stakeholder engagement

We engage with a range of stakeholders across government, business, the regulatory world and media. We see this as critical to making sure that we make a relevant contribution to public policy debates and market issue discussions.

Managing risk and maintaining quality



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

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 Board subcommittee, 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. 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 whom we are competent to serve, who value our service and who meet appropriate standards of legitimacy and integrity. We also establish up front 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 only reasonable and 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 effectiveness.

Our principal risks

The key risks faced by our business, and the management response, are summarised below.

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.	Our internal quality management systems, which are designed to maintain and enhance quality, include: • 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.
Regulatory reviews of the audit market: The outcome of the current regulatory scrutiny of the audit market adversely impacts on our ability to provide high-quality audit and relevant non-audit services.	• The firm is actively engaged with regulators and wider stakeholders, with an Executive Board member responsible for Reputation and Policy. • Active review, evaluation and critique of all proposals to make sure discussions are evidence-based and potential consequences are appropriately evaluated.
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.	• 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 to support staff engagement. For more information about the deal go to pages 20-21. • Use of various communication and discussion channels to engage with our people. • Monitoring and review of KPIs 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	• 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 stakeholders on trust-related and public interest issues to inspire change, for example to update the international tax system. • Actively participating in, leading on and collaborating on initiatives to restore trust such as the PwC Building Public Trust programme and the World Economic Forum's 'Leadership, Trust and Economic Performance' project.
Independence and regulatory requirements: Failure to comply with relevant independence, legal, ethical, regulatory or professional requirements.	Established compliance and independence management systems including: • Clear policies, procedures and guidance. • Mandatory 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.
Information security: Failure to safeguard confidential information.	• Information Risk 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 27001:2005 certified information security management system, which includes: – 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 manage client assets appropriately including major client administrations.	Well-established procedures for dealing with client assets and related matters including: • Portfolio diversification policy. • Daily monitoring of credit and related ratings and maturities. • Client asset management. • Internal controls and procedures. • Monitoring and independent review. • A Treasury Committee to receive regular updates on the above.
Business continuity and IT systems resilience: Failure to ensure business critical systems are available to the business.	• Strategic and Operational Business Continuity Steering groups in place ensuring visibility and review of the firm's business continuity management processes. • BS:25999 certified business continuity management system which provides ongoing assurance that the key business priorities are known and the essential resources required to support them are available. • IT systems, technical resilience and recovery capabilities are assessed and tested to ensure they meet business requirements.

The Executive Board

Ian Powell – Chairman and Senior Partner

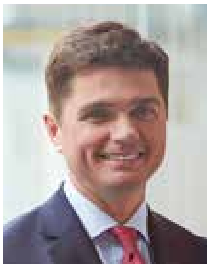
Ian joined the UK firm's Executive Board in 2006 and he was elected chairman and senior partner in 2008. He joined the UK firm as a graduate trainee in 1977 with a degree in economics from Wolverhampton Polytechnic. He became a partner in 1991. Before becoming chairman, he was Head of Advisory. He has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

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 in 2008, he headed up our Business Recovery Services and 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.

Gaenor Bagley – People

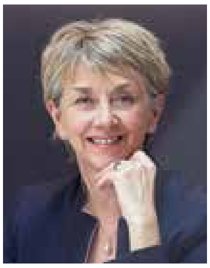
Gaenor graduated from Cambridge University with a mathematics and management degree. She trained in audit and spent three years in an investment bank corporate finance team. In 1992, she joined the Tax practice and became a partner in 2000; continuing to work in M&A, specialising in Private Equity. She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



James Chalmers – Assurance

James graduated from Oxford University with an engineering degree and he 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 has worked with multinational clients and has been on long-term secondments to clients in the banking and healthcare sectors.

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.



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.

John Dwyer – Deals

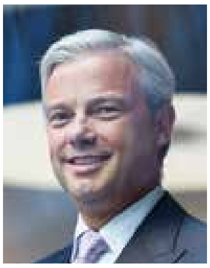
John graduated from University College Dublin with a commerce degree. He has worked in most of the businesses under the Deals umbrella including Business Recovery and Corporate Finance. He became a partner in 1997 and ran the Transaction Services business between 2007 and 2011. He joined the Executive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

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 on clients ranging from private businesses through to FTSE100 companies.

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.

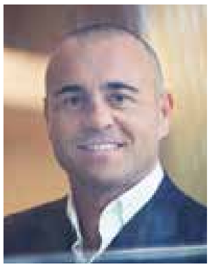


Richard Oldfield – Markets and Industries

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.

Keith Tilson – Chief Financial Officer

Keith is in charge of Finance and Operations. He read economics at Cambridge University. After joining the firm in 1976, he spent four years in Sydney and became a partner in 1988. Before taking up his current role, he was Managing Partner Operations and Finance and before that, Head of Advisory. He joined the Executive Board in 1998.



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.

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.

A look at our governance

Supervisory Board

Matthew Thorogood
Chairman of the Supervisory Board

I was delighted to be elected chairman of the Supervisory Board in January this year. Sound governance of our firm is a priority for the partnership and I am committed to looking constantly for ways of improving how our firm is governed. Regular, constructive conversations between the Executive Board and the Supervisory Board and effective reporting to the wider partner group are two things that I regard as critical.

I am pleased to report that through both formal and informal channels, the Supervisory Board and Executive Board keep in constant touch and work closely on matters of concern to both the partnership and individual partners.

A key role of the Supervisory Board is to give guidance to the Executive Board, when appropriate. To help make this happen more effectively, this year we've been teaming up Supervisory Board members with Executive Board members for informal input on strategic developments. This is working well and it is clear to me that both Boards take the responsibilities of representing our partners very seriously.

Further details of our governance arrangements and responsibilities are set out on page 31.

Matthew Thorogood
Supervisory Board Chairman

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 Committe Chairman
† Audit and Risk Committee member
†† Audit and Risk Committee Chairman
~ Strategy and Governance Committee member
~~ Strategy and Governance Committe 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 Board 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 Board. This is achieved by 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 three sub committees of the Supervisory Board: Partner Affairs, Strategy and Governance and Audit and Risk. The Partner Affairs Committee makes recommendations to the Supervisory Board, which sets the Chairman's profit share and approves the Chairman's recommendations for the profit shares of other members of the Executive Board. It is also responsible for making sure that the firm's policies on partners' remuneration are being properly and fairly applied.

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). Matthew Thorogood and Pauline Campbell sit, in their capacity as members of the Supervisory Board, 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 which has responsibility for reviewing the policies and processes for identifying, assessing and managing risks within the firm.

The Committee monitors and reviews:

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

Activities

The Committee met 10 times in the year ended 30 June 2013 (2012: 10 times). The Chief Financial Officer and General Counsel, together with the internal and external auditors, attend the Committee's meetings by invitation.

Both the internal and external auditors meet privately with the Committee without management presence.

Internal control

The Committee's review of internal control includes considering reports from the firm's Risk Council and from the firm's internal and external auditors. During the year the Committee considered and approved internal audit's 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 pages 26 and 27 in respect of the systems of internal control and concurred with the disclosures made.

External audit effectiveness and reappointment

The Committee undertakes an annual review of the qualification, expertise, resources and independence of the external auditors and the effectiveness of 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.

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

Financial reporting

CCW's external audit plan identified a number of potential risks and areas of judgement in the consolidated financial statements. CCW explained to the Committee the programme of work it planned to undertake to address these risks and other risks to detect a material misstatement in the financial statements.

Where it thought it would be effective to do so, CCW's work plan included the evaluation and testing of the Group's own internal controls and assessment of the work of the firm's internal audit function. It also explained where it planned to obtain direct external evidence.

The Committee discussed the above matters with CCW on conclusion of its external audit of the financial statements for the year. CCW explained the work it had undertaken and conclusions it had drawn, including in relation to revenue recognition and amounts that were unbilled at the year-end; the carrying value of goodwill and intangibles arising from business combinations; the adequacy and appropriateness of provisions for client claims and property matters; the consistency and appropriateness of assumptions adopted in the valuations of the firm's defined benefit pension schemes for the purposes of financial reporting; and management's assessment of the appropriateness of the going concern basis.

Following consideration of the matters presented to it and discussion with both management and CCW, the Committee is satisfied with the judgements and financial reporting disclosures included within the financial statements.

Public Interest Body

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
Sir Richard Lapthorne (Chairman)
Sir Graeme Davies
Dame Karen Dunnell
Sir Ian Gibson
Paul Skinner

PwC members
Ian Powell^
Pauline Campbell†
James Chalmers^ (from 30 June 2013)
Richard Sexton^ (to 30 June 2013)
Duncan Skailes† (to 31 December 2012)
Matthew Thorogood† (from 1 January 2013)

^ Member of the Executive Board
† Member of the Supervisory Board

This is my third annual report on the operation of the Public Interest Body (PIB) since the body was established in late 2010. For the independent non-executives, this means we are approaching the end of our current initial three-year term of appointment. Hence, this is an appropriate point at which to reflect on how the PIB has evolved and performed against its initial objectives, and, just as important, how we will develop in the years to come.

Before doing this, it is worth reiterating that the PIB's membership and activities reflect the objectives of the Audit Firm Governance 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 PIB is also designed to complement the firm's internal governance structure (more details of our membership can be found in the box to the left).

Reflections on our first three-year term

We have reached a point where we have obtained – through engagement with the firm's leaders and with those responsible for managing the risks in each of the four principal service lines of Assurance, Tax, Deals and Consulting – a good understanding of those businesses and the public interest and reputational issues relevant to each area. We hear first-hand from those responsible for decision-making in the firm. More importantly, we ask questions, request more information where appropriate and make suggestions.

Speaking for the non-executives, our view is that the firm is well-managed and that it conducts its business to a high standard of professionalism. That is not to say that there is no scope for improvement. The independent non-executives bring a different perspective, which can help the firm to consider where processes could be improved or examined through a different lens.

Inevitably, since the Code is focused on 'audit', that is where we have spent the most time, both in relation to how the day-to-day risks are managed and the busy regulatory agenda affecting statutory audit. We have discussed each year the firm's annual inspection reports from the Audit Quality Review Team (AQRT) of the Financial Reporting Council (FRC). This year, for the first time, I attended a 'clearance meeting' with the firm's Assurance Leader and senior FRC staff, so that we could hear about the AQRT's findings, prior to publication. This interaction was very helpful and positive, and will enable us to better understand how the regulator's priorities compare with our own.

We are also briefed at each meeting on the Risk and Quality processes and any contentious matters (for example any disciplinary inquiries) across the firm. The non-executives also suggest for discussion some specific areas of the business which could impact on the

Sir Richard Lapthorne
Chairman of the Public Interest Body

firm's reputation. In the past year, we have heard from the firm's Public Sector leader on how the reputational risks in that area are managed. Also, given the recent spotlight on corporate taxes, we have discussed with the firm's Leader for Tax 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.

Trust and the regulatory agenda
The subject of 'trust' in the business community is being debated by stakeholders and in the press as never before. Professional services firms are key players in this debate. Restoring the trust of society in business and in our institutions is essential if the UK is to recover from recession and contribute to economic growth. PwC has staged a number of debates involving senior business leaders, regulators and commentators, and a number of us have contributed to these. This is an important initiative. We need a thoughtful, balanced and properly informed view of how business, and the professional services sector in particular, moves forward in the interests of consumers of goods and services.

It is important in the regulatory and public policy activity around audit and, increasingly, tax, that we keep in mind these broader considerations. We have discussed in each of our meetings how the firm is addressing the Competition Commission's inquiry into the audit market for FTSE350 companies in the UK, the legislative proposals on Audit published by the European Commission and the recent series of consultations on important topics issued by the FRC. The firm has welcomed input from us and the firm's leaders agree that we have influenced their thinking – for example by challenging them to see alternative arguments.

The accounting profession has a reputation for being conservative. We have consistently urged the firm's leaders, as they engage with the regulatory agenda, to be receptive to change and, where they disagree with proposals, to explain the reasonable grounds for doing so and to suggest alternative approaches. The PIB members continue to be satisfied that the firm has followed an appropriate and comprehensive process in order to arrive at the public policy positions it is taking.

In the last year, the firm has also refined its policies on how it contributes to parliamentary and similar inquiries, and we were consulted on those measures before they were implemented.

Assessing our contribution
I reported last year that an effectiveness review of the PIB had been undertaken by PwC's specialist on corporate governance matters, to which all members of the PIB including the firm members and secretariat contributed. We will continue to build on that work by considering actively our remit and what we can deliver to a firm such as PwC.

Last year's review demonstrated that, while the members unanimously believe that the PIB should not be a decision-making forum, it provides an appropriate setting – with the right constituencies involved – where the firm's positions on public interest matters can be debated and challenged.

The Code is an audit firm governance code and audit is where the main focus should remain. However, the public tends to see PwC as a whole rather than its constituent parts and, as noted above, other parts of the firm's business such as tax, deals and consulting could also raise issues of reputation. In recent meetings, the non-executives have increasingly provided insights to the firm on a broader range of issues facing the business, while at the same time being cognisant of our 'public interest' responsibilities. For example, in the last year we have looked at any risk and reputation issues associated with the firm's acquisition strategy, such as its alliance with the Middle East practice. As we go forward, we will do more of this type of activity.

Stakeholder engagement
Internally, 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 our two Supervisory Board representatives, we meet with all the members of the Supervisory Board at least once a year. During our first three years the non-executive members have also been keen to meet more of those who are working in the business, by making office visits and attending the annual partner meetings and other events.

Externally, the Code identifies investors and the corporate community as primary constituencies. Recent contact with some representatives from those groups has demonstrated a measure of surprise that we are approaching them to discuss matters covered by the Code. The FRC has committed to review the Code after its initial few years of operation, and it will be a useful by-product of such a review to gauge the expectations of stakeholder engagement of the different groups. In the meantime, we are taking steps to refocus our engagement with institutional investor organisations. Additionally, if any of PwC's stakeholders would like to raise issues related to the Code, do please get in touch.

Finally, I would like to take the opportunity here to thank Richard Sexton and Duncan Skailes from the firm for their significant contributions to our PIB discussions and we look forward to working with their respective successors, James Chalmers and Matthew Thorogood.

Sir Richard Lapthorne,
Chairman of the Public Interest Body

Understanding our financial performance

Keith Tilson
Chief Financial Officer

Members' report

The Executive Board submits its report and the audited consolidated financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2013.

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

Financial performance

Our revenue grew 3% to £2,689m in a challenging market. This follows the 7% growth recorded last year. Risk assurance, HR advisory, business recovery and our Middle East business all grew strongly. But the relatively flat mergers and acquisitions market provided a challenge to our transactions-based businesses including corporate finance, transactions services and capital markets and structuring. The core assurance business continued to see intense competition, pricing challenge and increasing levels of audit tendering.

Profit for the financial year

Total profit for the financial year of £740m (2012: £727m), comprises profit available for division among members of £680m (2012: £672m) and profit attributable to non-controlling interests of £60m (2012: £55m).

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. Actual distributable profit per partner increased 4% from £679,000 to £705,000 for the year ended 30 June 2013.

Average profit per partner based on the profits shown in these statutory accounts, which is stated after excluding the impact of members on overseas secondment, increased from £798,000 to £810,000.

Operating costs

Our total staff costs were flat across the year, reflecting a 1% decline in overall staff headcount and the impact of 1 July 2012 pay awards. Staff bonuses across the Group increased 4% to £87m, including National Insurance (2012: £84m).

Other operating charges increased by 8%, mainly as a result of continued investment in new technology, in particular new data centres, property and the growing Middle East firm. We maintained tight control over other discretionary operating costs.

Staff pensions

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

Following the 31 March 2011 triennial actuarial funding reviews of the defined benefit schemes, the firm agreed to contribute £115m in deficit reduction payments, of which £74m had been paid by the year-end, with a further £41m due over the next three years. The defined benefit schemes are all closed to future service accrual and new members.

The accounting valuations undertaken for the purpose of these financial statements at 30 June 2013 indicate a combined defined benefit pension deficit of £33m, compared with £79m in the prior year. The decrease in the deficit primarily reflects an increase in the discount rate used to value liabilities, together with asset returns in the period.

The next full actuarial review for funding purposes is at 31 March 2014. Due to the different actuarial assumptions used, the funding deficit arising from this review is likely to be larger than the £33m accounting deficit referred to above.

Net assets and financing

Our balance sheet remains healthy, with net assets of £612m (2012: £573m).

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions totalling £189m (2012: £165m) 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 £322m at the year-end (2012: £311m). The Group's principal facility was renewed in June 2011 under a £225m four-year arrangement that 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. For independence reasons, following our proposed appointment as auditors of HSBC, we will need to withdraw from £81m of our total facilities before 31 October 2014.

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 38% of their profit share (2012: 36%), 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.

Understanding our financial performance

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 £960m in respect of the past year (2012: £975m).

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. Partner income tax and National Insurance contributions payable by partners on current year distributable profits is estimated at £257m (2012: £266m).

Total UK tax contribution to 30 June 2013

	30 June 2013 £m	30 June 2012 £m
Taxes paid/payable		
Partner tax and NIC payable on current year distributable profits	**257**	266
Employers' NIC	**97**	100
Business rates	**22**	22
Corporation tax	**4**	7
PAYE/NIC on benefits	**6**	5
Other	**4**	4
	390	404
Taxes collected		
Net VAT	**297**	285
PAYE	**218**	229
Employees' NIC	**55**	57
	570	571
Total	**960**	**975**

In respect of the current year, members of the LLP each bear income tax at close to 40% on their first £150,000 of distributable profit share and at 45% for amounts thereafter (down from 50% in the prior year) together with a further 2% National Insurance contribution. This results in a 2013 average effective tax rate for partners in the LLP of approximately 43% (2012: 47%). The LLP administers the payment of partner taxes and makes periodic allocations of profit to cover payment of these tax liabilities.

In addition to partner taxes, a further £133m (2012: £138m) of business taxes was borne by the UK 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 £570m (2012: £571m), 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. The number of days outstanding between receipt of invoice and date of payment, calculated by reference to the amount owed in respect of the Group's trade payables at the year-end as a proportion of the total amounts invoiced by suppliers and overseas PwC member firms during the year, was 30 days (2012: 28 days).

Political donations
PwC has no political affiliation. The firm does not make any cash donations to any political party or other groups with a political agenda. However, in the interests of the firm and its clients, we seek to develop and maintain constructive 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. Areas of assistance may include observations on the improvement of legislation or proposed legislation and the exchange of information relevant to effective policy development. In considering any assistance, the Executive Board has regard to the possible impact on clients of the firm and the firm's overall reputation.

All of the support we provide to the political parties is recorded and reported to the Electoral Commission (www.electoralcommission.org.uk), which publishes a detailed breakdown of the work undertaken and the amount that would otherwise have been charged to the political party (as reported to the Electoral Commission).

In the period covered by this report, we provided a total of some 4,827 hours of free technical support to political parties during the year (2012: 3,454 hours). The value of this work, as reported to the Electoral Commission, was £0.5m (2012: £0.4m) and comprised 2,520 hours to the Labour Party and 2,307 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.

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, Kevin Ellis and Keith Tilson. Owen Jonathan was a designated member until he resigned on his retirement on 31 December 2012.

Auditors
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
- 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

Keith Tilson
Chief Financial Officer

Ian Powell
Chairman and Senior Partner

9 August 2013

Independent auditor's report to the members of PricewaterhouseCoopers LLP

We have audited the financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2013 which comprise the consolidated income statement, consolidated statement of comprehensive income, Group and LLP statements of financial position, Group and LLP statements of cash flows, Group and LLP statements of changes in members' equity and the related notes numbered 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent LLP financial statements, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

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

Respective responsibilities of members and auditor

As explained more fully in the statement of members' responsibilities in respect of the financial statements, included in the members' report, the members are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Group and the parent LLP as at 30 June 2013 and of the profit of the Group for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent LLP financial statements have been properly prepared in accordance with IFRSs 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 Companies Act 2006, as applied to limited liability partnerships.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006, as applied to limited liability partnerships, requires us to report to you if, in our opinion:

- 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, or
- we have not received all the information and explanations we require for our audit.

Steve Gale FCA
Senior Statutory Auditor

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

9 August 2013

Consolidated income statement for the year ended 30 June 2013

	Note	2013 £m	2012 £m	Increase
Revenue	2	2,689	2,621	3%
Expenses and disbursements on client assignments		(320)	(317)	1%
Net revenue		2,369	2,304	3%
Staff costs	3	(1,142)	(1,144)	–
Depreciation, amortisation and impairment	4	(35)	(32)	
Other operating charges	4	(427)	(396)	8%
Operating profit		765	732	
Finance income	5	81	98	
Finance expense	5	(98)	(94)	
Profit on ordinary activities before taxation		748	736	2%
Tax expense in corporate subsidiaries	6	(8)	(9)	
Profit for the financial year before members' profit shares		740	727	2%
Profit available for division among members	19	680	672	1%
Profit attributable to non-controlling interests	19	60	55	9%
Profit for the financial year		740	727	2%

Consolidated statement of comprehensive income for the year ended 30 June 2013

	Note	2013 £m	2012 £m
Profit for the financial year		740	727
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	21	(1)	1
Other comprehensive (expense) income for the year		(1)	1
Total comprehensive income for the year		739	728
Total comprehensive income for the year attributable to:			
Members		679	673
Non-controlling interests		60	55
Total comprehensive income for the year		739	728

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

Statements of financial position at 30 June 2013

		Group		LLP	
	Note	2013 £m	2012 £m	2013 £m	2012 £m
Non-current assets					
Property, plant and equipment	8	172	153	1	1
Intangible assets	9	30	19	5	7
Goodwill	9	43	41	6	6
Investments	10	8	5	58	54
Interests in joint ventures	10	1	–	–	–
Retirement benefit assets	17	249	262	249	262
		503	480	319	330
Current assets					
Trade and other receivables	11	824	788	610	595
Cash and cash equivalents	12	236	159	204	130
		1,060	947	814	725
Total assets		1,563	1,427	1,133	1,055
Current liabilities					
Trade and other payables	13	(600)	(547)	(311)	(290)
Corporation tax		(13)	(13)	–	–
Borrowings	14	(41)	(23)	–	–
Provisions	15	(4)	(5)	(3)	(4)
Members' capital	16	(18)	(13)	(18)	(13)
		(676)	(601)	(332)	(307)
Non-current liabilities					
Borrowings	14	(10)	(13)	–	–
Provisions	15	(52)	(54)	(22)	(25)
Deferred tax liabilities	18	(1)	–	–	–
Members' capital	16	(171)	(152)	(171)	(152)
Other non-current liabilities	13	(41)	(34)	–	–
		(275)	(253)	(193)	(177)
Total liabilities		(951)	(854)	(525)	(484)
Net assets		612	573	608	571
Equity					
Members' reserves	19	628	590	608	571
Non-controlling interests	19	(16)	(17)	–	–
Total equity		612	573	608	571
Total members' interests					
Members' capital	16	189	165	189	165
Members' reserves	19	628	590	608	571
Amounts due from members (included in trade and other receivables)	19	(19)	(21)	–	–
Total members' interests	19	798	734	797	736

The financial statements on pages 39 to 67 were authorised for issue and signed on 9 August 2013 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC303525, by:

Ian Powell

Keith Tilson

Statements of cash flows for the year ended 30 June 2013

	Group		LLP	
	2013 £m	2012 £m	2013 £m	2012 £m
Cash flows from operating activities				
Cash generated from operations (note 22)	821	645	695	526
Tax paid by corporate subsidiaries	(25)	(29)	–	–
Net cash inflow from operating activities	796	616	695	526
Cash flows from investing activities				
Purchase of property, plant and equipment	(52)	(48)	–	–
Purchase of intangible assets	(18)	(5)	(1)	(1)
Purchase of other businesses (net of cash acquired)	(4)	(5)	–	(2)
Proceeds from sale of property, plant and equipment	3	2	–	–
Purchase of investments	(3)	(2)	(4)	(2)
Purchase of interest in joint venture	(1)	–	–	–
Interest received	–	1	1	–
Net cash outflow from investing activities	(75)	(57)	(4)	(5)
Cash flows from financing activities				
Payments to members	(641)	(655)	(641)	(655)
Payments to non-controlling interests	(59)	(50)	–	–
Interest paid	(3)	(2)	–	–
Movement in borrowings	15	11	–	–
Compensating payment by members	20	18	–	–
Capital contributions by members	34	25	34	25
Capital repayments to members	(10)	(18)	(10)	(18)
Net cash outflow from financing activities	(644)	(671)	(617)	(648)
Net increase (decrease) in cash and cash equivalents	77	(112)	74	(127)
Cash and cash equivalents at beginning of year	159	271	130	257
Cash and cash equivalents at end of year (note 12)	236	159	204	130

Statements of changes in members' equity for the year ended 30 June 2013

	Group			LLP
	Available for division among members £m	Attributable to non-controlling interests £m	Total £m	Total £m
Balance at beginning of prior year	572	(22)	550	564
Profit for the financial year	672	55	727	664
Other comprehensive income (expense) for the year	1	–	1	(2)
Total comprehensive income	673	55	728	662
Allocated profit in financial year	(655)	(50)	(705)	(655)
Transactions with owners	(655)	(50)	(705)	(655)
Balance at end of prior year (note 19)	590	(17)	573	571
Profit for the financial year	680	60	740	678
Other comprehensive expense for the year	(1)	–	(1)	–
Total comprehensive income	679	60	739	678
Allocated profit in financial year	(641)	(59)	(700)	(641)
Transactions with owners	(641)	(59)	(700)	(641)
Balance at end of year (note 19)	628	(16)	612	608

1 Basis of preparation

These financial statements consolidate the results and financial position of PricewaterhouseCoopers LLP ('the LLP') and all 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 note to which the policy relates. 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 International Financial Reporting Interpretation Committee (IFRIC) interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to limited liability partnerships (LLPs) reporting under IFRS.

The financial statements have been prepared 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.

The Group adopted IAS 1 (revised) 'Presentation of financial statements' during the year. The standard requires items presented in other comprehensive income to be grouped on the basis of whether or not they will be reclassified subsequently to profit or loss.

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 those relating to discount rate, inflation and mortality. Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued. Further details of estimates and judgements are set out in the detailed notes to the financial statements.

Consolidation

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

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

Inter-company transactions, balances and unrealised gains 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, if any, are recognised in other comprehensive income.

1 Basis of preparation continued

New standards and interpretations not yet adopted

The Group will adopt the revised version of IAS 19 'Employee benefits' for the accounting period to 30 June 2014. The standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The most significant changes are that actuarial gains and losses will be recognised immediately in other comprehensive income, the net pension deficit or surplus will be recognised in the statement of financial position and interest cost and expected return on assets will be replaced by a single net interest amount calculated using a single discount rate. The impact of these changes in the year to 30 June 2013 would have been to decrease opening net assets and reserves by £341m, decrease net finance expense in the income statement by £10m and recognise £49m of actuarial gains in the statement of other comprehensive income.

The following IFRS standards and amendments and IFRIC 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 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 is expected to be effective for the accounting period to June 2015.

- Amendment to IFRS 7 'Financial instruments: Disclosures' includes new disclosure to facilitate comparison between financial statements prepared in accordance with IFRS and those prepared in accordance with US GAAP. The amendment is expected to be effective for the accounting period to June 2014.

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. The standard is the first step in the project to replace IAS 39, and the IASB also intends to add new requirements on hedge accounting and impairment. IFRS 9 is expected to be effective for the accounting period to June 2016.

- IFRS 13 'Fair value measurement' is effective for the accounting period to June 2014. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

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 only 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

	2013 £m	2012 £m
Salaries, including termination benefits of £9m (2012: £11m)	971	977
Social security costs	102	103
Pension costs in respect of defined contribution scheme (note 17)	69	64
	1,142	1,144

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 17,420, including practice support staff of 3,333 (2012: 17,617, including practice support staff of 3,534).

LLP

There were no employees in the LLP during the year (2012: nil).

4 Other operating costs

Depreciation, amortisation and impairment

	2013 £m	2012 £m
Depreciation of property, plant and equipment (note 8)	28	24
Amortisation of intangible assets (note 9)	7	7
Impairment of goodwill (note 9)	–	1
	35	32

Other operating charges

Other operating charges include:

	2013 £m	2012 £m
Operating lease rentals:		
– land and buildings	68	76
– plant and machinery	8	9
	76	85

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

There were no profits on disposal of business included within other operating charges in the year to 30 June 2013 (2012: £3m).

Total fees and expenses payable to the auditors, Crowe Clark Whitehill LLP, for the year ended 30 June 2013 were £0.4m (2012: £0.5m). Of these, audit fees relating to the LLP and Group consolidation were £0.3m (2012: £0.4m) and other services in respect of the audit of subsidiary companies and audit related assurance were £0.1m (2012: £0.1m).

5 Finance income and expense

	2013 £m	2012 £m
Finance income		
Interest receivable	–	1
Expected return on pension scheme assets (note 17)	81	97
	81	98
Finance expense		
Interest payable	(3)	(2)
Unwinding of discount on provisions (note 15)	(1)	(2)
Amortisation of actuarial losses on retirement benefits (note 17)	(16)	(2)
Interest cost on pension scheme obligations (note 17)	(78)	(88)
	(98)	(94)
Net finance (expense) income	(17)	4

6 Tax expense in corporate subsidiaries

Certain companies in these consolidated 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:

	2013 £m	2012 £m
Current tax on income of corporate subsidiaries for the year	25	25
Compensating payment due from LLP members	(18)	(19)
Deferred tax movements (note 18)	1	3
Tax expense in corporate subsidiaries	8	9

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

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

	2013 £m	2012 £m
Profit on ordinary activities of corporate entities before tax	27	23
Tax expense at UK standard rate of 23.75% (2012: 25.5%)	6	6
Impact of items not deductible for tax purposes	7	6
Adjustment to tax charge in respect of prior years	(4)	(2)
Effect of different tax rates in which the Group operates	(1)	(1)
	8	9

7 Members' profit shares

Excluding members on secondment overseas, the average profit per member based on these financial statements was £810,000 (2012: £798,000), calculated by dividing the total profit available for division among members by the average number of members in the UK.

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.

7 Members' profit shares continued

The final allocation and distribution of profit to members is made after the financial statements have been approved. Based on these financial statements the estimated profit attributable to the Chairman is £4.2m (2012: actual profit £4.0m, estimated profit £4.0m). The estimated profit attributable to the thirteen (2012: eleven) members of the Executive Board amounts to £25.0m (2012: actual profit attributable of £22.2m, estimated profit attributable of £22.4m).

The actual profits finally distributed to members are calculated after deducting their personal obligations to make annuity payments to certain former members and after equity adjustments. The distributable profit shares for the year to 30 June are:

	2013 Estimate	2012 Actual	2012 Estimate
Average per member (excluding members on secondment overseas)	£705,000	£679,000	£679,000
Chairman	£3.6m	£3.3m	£3.4m
Executive Board (2013: thirteen members; 2012: eleven members)	£21.5m	£18.5m	£18.7m

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

	2013 Number	2012 Number
UK members	840	842
Members on secondment overseas	34	30
	874	872

The amount invested by all members in the business, represented by total members' interests divided by the number of members at 30 June 2013, amounts to an average investment per member of £925,000 (2012: £848,000). The investment in the business at 30 June 2013 of the Chairman, represented by his estimated share of total members' interests, was £3.7m (2012: actual investment £3.5m, estimated investment £3.5m).

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	27	207	240
Additions	–	4	44	48
Disposals	–	–	(31)	(31)
Transfer between asset classes	–	37	(37)	–
At end of prior year	6	68	183	257
Additions	–	13	39	52
Disposals	–	(11)	(19)	(30)
At end of year	6	70	203	279
Accumulated depreciation				
At beginning of prior year	1	18	90	109
Depreciation charge for the year	–	3	21	24
Disposals	–	–	(29)	(29)
At end of prior year	1	21	82	104
Depreciation charge for the year	–	4	24	28
Disposals	–	(10)	(15)	(25)
At end of year	1	15	91	107
Net book amount at end of prior year	5	47	101	153
Net book amount at end of year	5	55	112	172

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 contracted but not provided for at 30 June 2013 amounted to £14m (2012: £30m); there were no capital commitments in the LLP. Included within property, plant and equipment are £11m (2012: £15m) of assets under construction. The capital commitments contracted but not provided for and assets under construction relate principally to the refurbishment of office premises at 1 Embankment Place.

The transfer between fittings, furniture and equipment and leasehold property in the prior year represented the final classification of the fit out costs at our 7 More London office premises.

LLP

	Leasehold property £m
Cost	
At beginning of prior and current year	15
Disposals	(9)
At end of year	6
Accumulated depreciation	
At beginning of prior and current year	14
Disposals	(9)
At end of year	5
Net book amount at end of prior year	1
Net book amount at end of year	1

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	59	67	40
Additions	–	5	5	–
Acquisition of subsidiaries	–	–	–	6
At end 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 year	9	78	87	48
Accumulated amortisation/impairment				
At beginning of prior year	3	43	46	4
Amortisation charge for the year	–	7	7	–
Impairment charge for the year	–	–	–	1
At end of prior year	3	50	53	5
Amortisation charge for the year	1	6	7	–
Disposals	–	(3)	(3)	–
At end of year	4	53	57	5
Net book amount at end of prior year	5	14	19	41
Net book amount at end of year	5	25	30	43

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 in the business that 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 £30m 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 18% has been used (2012: 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 (2012: 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% (2012: 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.

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 100% interests in PRPi Consulting Limited and Vantage Performance Solutions Limited (renamed PwC Performance Solutions Limited) for combined consideration of £5m. The fair values of assets and liabilities recognised on acquisition are estimated and approximate to pre-acquisition carrying value based on the respective accounts prepared as at the acquisition date. The combined net asset value, pending final valuation, was £2m. The goodwill recognised of £3m is attributable to the companies' existing workforce.

In the prior year the Group acquired the trade, assets and liabilities of PRTM Management Consultants Limited, together with a 100% interest in PRTM Management Consultants Middle East FZ-LLC (together PRTM). During the current year, the Group has completed the exercise of attributing fair values to assets and liabilities acquired with PRTM. As a result, final fair value adjustments have been made resulting in a decrease in goodwill of £2m.

LLP

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	1	12	13	4
Additions	–	1	1	2
At end of prior year	1	13	14	6
Additions	–	1	1	–
At end of year	1	14	15	6
Accumulated amortisation				
At beginning of prior year	1	3	4	–
Amortisation charge for the year	–	3	3	–
At end of prior year	1	6	7	–
Amortisation charge for the year	–	3	3	–
At end of year	1	9	10	–
Net book amount at end of prior year	–	7	7	6
Net book amount at end of year	–	5	5	6

10 Investments and interests in joint ventures

	Group	LLP		
	Other investments £m	Other investments £m	Investments in subsidiary undertakings £m	Total £m
Cost				
At beginning of prior year	3	3	52	55
Acquisitions	2	2	–	2
At end of prior year	5	5	52	57
Acquisitions	3	3	1	4
At end of year	8	8	53	61
Accumulated impairment				
At beginning of prior year	–	–	2	2
Impairment charge for the year	–	–	1	1
At end of prior year	–	–	3	3
Impairment charge for the year	–	–	–	–
At end of year	–	–	3	3
Net book amount at end of prior year	5	5	49	54
Net book amount at end of year	8	8	50	58

Other investments

Unquoted investments with no reliable measure of fair value are stated at cost less impairment. Income from these investments is recognised in the income statement when entitlement is established.

Other investments include a 14% holding in PwC Network Holdings Pte Limited, acquired on 18 June 2013, a company which invests in firms in the PwC network. The Group is committed to making further contributions to its investment in PwC Network Holdings Pte Limited of up to 0.5% of the Group's net revenue for the financial years ending 30 June 2014 and 2015.

Other investments also include holdings in and subordinated loan notes from entities that provide services to PwC network firms around the world.

10 Investments and interests in joint ventures continued

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment.

The financial statements consolidate the results and financial position of the Group, including the principal subsidiary undertakings listed below.

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
Diamond Advisory Services Limited	Professional services
PricewaterhouseCoopers Advisory Services Limited	Professional services
PRPi Consulting Limited	Professional services
PwC Performance Solutions Limited	Professional services
Fire Station Operating Company Limited	Social enterprise

Limited Liability Partnerships	
PricewaterhouseCoopers CI LLP	Professional services
PricewaterhouseCoopers Legal LLP	Legal services

All subsidiary shareholdings are 100% owned and the companies incorporated in Great Britain, except for PricewaterhouseCoopers (Middle East Group) Limited which is incorporated in Guernsey, with the Group owning 100% of the ordinary shares and the local Middle East partners owning ‘B’ shares. In accordance with IAS 27 the Group has control as a result of owning 100% of the ordinary shares. The ‘B’ shares provide certain income access rights for local Middle East partners.

In accordance with IAS 27 the Group has consolidated the results of PricewaterhouseCoopers Legal LLP, though the members of PricewaterhouseCoopers LLP do not share in its profits.

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

Interests in joint ventures

On 9 April 2013, 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. 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’s share of the net assets, liabilities, revenue and the results of the joint venture, are as follows:

Joint Venture	Country of incorporation	Assets £m	Liabilities £m	Revenue £m	Profit £m
Skyval Holdings LLP	United Kingdom	1	–	–	–

The Group’s interests in jointly controlled entities are 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.

11 Trade and other receivables

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Client receivables	404	383	336	332
Due from PwC network firms	42	50	38	35
Trade receivables	446	433	374	367
Amounts due from members	19	21	–	–
Other receivables	27	28	6	7
Prepayments	58	59	4	6
Unbilled amounts for client work	274	247	226	215
	824	788	610	595

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 (2012: £63m) and £17m are denominated in euros (2012: £19m). 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 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
30 days or less, fully performing	291	282	248	244
31 to 180 days, past due and fully performing	152	148	123	121
More than 180 days, past due and impaired	19	18	15	13
Impairment provision	(16)	(15)	(12)	(11)
	446	433	374	367

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

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Balance at beginning of year	(15)	(17)	(11)	(14)
Charged to the income statement	(11)	(10)	(8)	(7)
Released unused during the year	7	7	4	6
Utilised during year	3	5	3	4
Balance at end of year	(16)	(15)	(12)	(11)

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.

12 Cash and cash equivalents

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Cash at bank and in hand	27	30	2	1
Short-term deposits	209	129	202	129
	236	159	204	130

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 £21m being denominated in US dollars/US dollar linked currencies (2012: £21m) and £12m being denominated in euros (2012: £10m).

13 Trade and other payables

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Current				
Trade payables	96	70	–	–
Amounts owed to Group undertakings	–	–	157	174
Other payables including taxation and social security	137	128	48	33
Accruals	256	259	8	8
Progress billings for client work	111	90	98	75
	600	547	311	290

Trade and other payables are measured at amortised cost.

Group trade payables are primarily denominated in sterling, with £33m being denominated in US dollars/US dollar linked currencies (2012: £15m) and £17m being denominated in euros (2012: £13m). 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 £63m (2012: £53m).

Other current payables including taxation and social security comprise:

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Other taxes and social security	83	87	–	–
Other payables	54	41	48	33
	137	128	48	33

Other non-current liabilities

Group other non-current liabilities of £41m represent capital loans provided by non-controlling interest partners in subsidiary undertakings consolidated into the Group (2012: £34m).

14 Borrowings

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Current				
Bank borrowings	26	10	–	–
Other loans	15	13	–	–
	41	23	–	–
Non-current				
Bank borrowings	1	3	–	–
Other loans	9	10	–	–
	10	13	–	–
Total borrowings	51	36	–	–

Borrowings are measured initially 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 2013 and 30 June 2012 were unsecured and denominated in US dollars.

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

15 Provisions and contingent liabilities

	Group				LLP		
	Annuities £m	Client claims £m	Property £m	Total £m	Client claims £m	Property £m	Total £m
Balance at beginning of prior year	12	19	27	58	18	18	36
Income statement:							
– Charge for the year	4	6	4	14	6	1	7
– Released unused during the year	–	(3)	(2)	(5)	(3)	(2)	(5)
– Unwinding of discount	1	–	1	2	–	–	–
– Actuarial losses	2	–	–	2	–	–	–
Cash payments	(1)	(5)	(6)	(12)	(4)	(5)	(9)
Balance at end of prior year	18	17	24	59	17	12	29
Income statement:							
– Charge for the year	2	5	3	10	4	2	6
– Released unused during the year	–	(2)	–	(2)	(2)	–	(2)
– Unwinding of discount	1	–	–	1	–	–	–
Cash payments	(3)	(3)	(6)	(12)	(3)	(5)	(8)
Balance at end of year	18	17	21	56	16	9	25

15 Provisions and contingent liabilities continued

Disclosed as:

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Current	4	5	3	4
Non-current	52	54	22	25
	56	59	25	29

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.

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 or in financial estimates and actuarial assumptions are recognised in the income statement. The unwinding of the discount is presented in the income statement as a finance expense. When the entitled individuals retire and their annuities come into payment, these payments 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 (2012: assumed retirement age of 57), with a discount rate of 4.6% (2012: 4.3%) and an inflation rate of 2.5% for US dollar denominated annuities (2012: 2.5%). The discount rates are based on the yield on corporate bonds.

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.

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. The Group carries professional 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 3.8% (2012: 3.2%).

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

The Group has entered into US $30m (2012: US $10m) guarantees with third-party banks in connection with work performed in foreign territories.

15 Provisions and contingent liabilities continued

The LLP has entered into a US $52m (2012: 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 £744m over the remaining lease terms (2012: £764m), for 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 the year-end, the relevant subsidiary company bank borrowings were nil (2012: nil).

Financial guarantees 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.

16 Members' capital

	Group and LLP £m
Balance at beginning of prior year	158
Contributions by members	25
Repayments to members	(18)
Balance at end of prior year	165
Contributions by members	34
Repayments to members	(10)
Balance at end of year	189

Members' capital due 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 2013 £m	Group and LLP 2012 £m
Current	18	13
Non-current	171	152
	189	165

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.

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

17 Retirement benefits

Defined contribution scheme

As at the end of June 2013 there were 13,129 members of the firm's defined contribution scheme (2012: 9,109), of which 2,739 members were auto enrolled (2012: nil). The Group's contributions to the scheme are charged to the income statement as they fall due. Costs of £69m (2012: £64m) were recognised by the Group in respect of the scheme. Costs of the defined contribution scheme in the LLP were nil (2012: nil).

17 Retirement benefits continued

Defined benefit schemes

The Group's two defined benefit pension schemes are the PwC Pension Fund (Fund) and the DH&S Retirement and Death Benefits Plan (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 net deficit or surplus in each scheme is calculated in accordance with IAS 19, based on the present value of the defined benefit obligation at the reporting date, less the fair value of the scheme assets.

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

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

Assumptions

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

	2013	2012	2011
Discount rate	4.6%	4.4%	5.5%
Inflation (RPI)	3.3%	2.8%	3.6%
Inflation (CPI)	2.3%	2.1%	2.9%
Expected rate of increase in salaries	2.8%	2.8%	3.6%
Expected rate of increase in pensions in payment	2.8%	2.5%	2.9%
Expected return on Fund assets	5.3%	4.8%	6.0%
Expected return on Plan assets	5.1%	4.8%	6.2%

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 principal actuarial assumptions all have a significant effect on the IAS 19 accounting valuation. The following table shows the sensitivity of the present value of the defined benefit obligations to changes in these assumptions:

	Fund Increase £m	Plan Increase £m	Total £m
0.25% decrease to discount rate	54	32	86
0.25% increase to salary increases	3	1	4
0.25% increase to inflation	35	20	55
One year increase to life expectancy	21	13	34

17 Retirement benefits continued

The figures used in these financial statements assume that the mortality of the schemes' members will be in line with nationally published S1NA 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 (CMI) 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:

	2013		2012	
	Fund Years	Plan Years	Fund Years	Plan Years
Life expectancy of current pensioners at age 65:				
– male	23.2	23.2	23.1	23.1
– female	25.0	25.0	24.9	24.9
Life expectancy of future pensioners at age 65:				
– male	25.0	25.0	24.9	24.9
– female	27.0	27.0	26.9	26.9

Income statement

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

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Finance income and expense						
Expected return on scheme assets	53	28	81	62	35	97
Interest cost	(51)	(27)	(78)	(57)	(31)	(88)
Amortisation of actuarial losses	(11)	(5)	(16)	–	(2)	(2)
	(9)	(4)	(13)	5	2	7

Statement of financial position

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

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Fair value of scheme assets	1,180	647	1,827	1,110	611	1,721
Present value of defined benefit obligations	(1,216)	(644)	(1,860)	(1,175)	(625)	(1,800)
Net (deficit) surplus	(36)	3	(33)	(65)	(14)	(79)
Unrecognised actuarial losses	187	95	282	225	116	341
Retirement benefit asset	151	98	249	160	102	262

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

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
At beginning of year	160	102	262	112	69	181
Expected return on scheme assets	53	28	81	62	35	97
Interest cost	(51)	(27)	(78)	(57)	(31)	(88)
Contributions by employer	–	–	–	43	31	74
Amortisation of actuarial losses	(11)	(5)	(16)	–	(2)	(2)
At end of year	151	98	249	160	102	262

17 Retirement benefits continued

Scheme assets

The changes in defined benefit scheme assets were as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Fair value of scheme assets at beginning of year	1,110	611	1,721	1,035	568	1,603
Expected return on scheme assets	53	28	81	62	35	97
Actuarial gains (losses) on assets	47	23	70	(2)	(9)	(11)
Contributions by employer	–	–	–	43	31	74
Benefits paid	(30)	(15)	(45)	(28)	(14)	(42)
Fair value of scheme assets at end of year	1,180	647	1,827	1,110	611	1,721

The actual return on scheme assets in the year ended 30 June 2013 was a gain of £151m (2012: £86m gain).

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

	2013	2012	2011
Equities	7.0%	6.7%	7.8%
Bonds	4.5%	4.2%	5.5%
Gilts	3.5%	2.9%	4.3%
Cash	3.2%	2.8%	4.0%

The expected return on assets is based on a projection of long-term investment returns for each asset class, with separate analysis provided for bonds and gilts. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets.

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

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Equities	531	254	785	488	259	747
Bonds	258	178	436	191	123	314
Gilts	375	205	580	400	204	604
Cash	16	10	26	31	25	56
	1,180	647	1,827	1,110	611	1,721

Defined benefit obligations

The changes in defined benefit obligations were as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Present value of defined benefit obligation at beginning of year	(1,175)	(625)	(1,800)	(1,027)	(580)	(1,607)
Interest cost	(51)	(27)	(78)	(57)	(31)	(88)
Actuarial losses on obligations	(20)	(7)	(27)	(119)	(28)	(147)
Benefits paid	30	15	45	28	14	42
Present value of defined benefit obligation at end of year	(1,216)	(644)	(1,860)	(1,175)	(625)	(1,800)

17 Retirement benefits continued

Actuarial gains and losses

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

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fund					
Fair value of scheme assets	1,180	1,110	1,035	873	735
Present value of defined benefit obligation	(1,216)	(1,175)	(1,027)	(960)	(806)
Net (deficit) surplus	(36)	(65)	8	(87)	(71)
Actuarial experience gains (losses) on assets	47	(2)	69	71	(109)
Actuarial (losses) gains on obligations due to experience	(1)	(33)	(5)	16	(4)
Plan					
Fair value of scheme assets	647	611	568	493	410
Present value of defined benefit obligation	(644)	(625)	(580)	(570)	(479)
Net surplus (deficit)	3	(14)	(12)	(77)	(69)
Actuarial experience gains (losses) on assets	23	(9)	32	38	(52)
Actuarial gains (losses) on obligations due to experience	–	23	2	5	(2)

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 2013 used in these financial statements. For the year ended 30 June 2013, Mercer Ltd was the actuary for the Fund and the Plan.

Following the 31 March 2011 triennial valuation, the Group agreed to make £115m of additional contributions to the schemes by 30 June 2016, of which £74m has been paid. The Group expects to pay contributions of £15m in the next year, with the balance over the remaining two years.

18 Deferred tax

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

	2013 £m	2012 £m
Balance of deferred tax assets at beginning of year	–	3
Charged to the income statement	–	(3)
Balance of deferred tax assets at end of year	–	–
Balance of deferred tax liabilities at beginning of year	–	–
Charged to the income statement	(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.

18 Deferred tax continued

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 24% for the period to 31 March 2013 and 23% thereafter (2012: 26% for the period to 31 March 2012 and 24% thereafter).

There was no deferred tax arising in the LLP.

19 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 £m	Amounts due to (from) members £m	Total £m	Reserves £m	Amounts due to (from) non-controlling interests £m
Balance at beginning of prior year	158	572	(20)	710	(22)	–
Profit for the prior year available for division among members	–	672	–	672	55	–
	158	1,244	(20)	1,382	33	–
Allocated profit	–	(655)	655	–	(50)	50
Movement on cash flow hedges	–	1	–	1	–	–
Contributions by members	25	–	–	25	–	–
Repayments to members	(18)	–	–	(18)	–	–
Drawings and distributions	–	–	(655)	(655)	–	(50)
Movement in compensating payment due to subsidiary undertakings	–	–	(1)	(1)	–	–
Balance at beginning of year	165	590	(21)	734	(17)	–
Profit for the current year available for division among members	–	680	–	680	60	–
	165	1,270	(21)	1,414	43	–
Allocated profit	–	(641)	641	–	(59)	59
Movement on cash flow hedges	–	(1)	–	(1)	–	–
Contributions by members	34	–	–	34	–	–
Repayments to members	(10)	–	–	(10)	–	–
Drawings and distributions	–	–	(641)	(641)	–	(59)
Movement in compensating payment due to subsidiary undertakings	–	–	2	2	–	–
Balance at end of year	189	628	(19)	798	(16)	–

19 Total members' interests continued

LLP

	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m
Balance at beginning of prior year	158	564	–	722
Profit for the prior year available for division among members	–	664	–	664
	158	1,228	–	1,386
Allocated profit	–	(655)	655	–
Contributions by members	25	–	–	25
Repayments to members	(18)	–	–	(18)
Drawings and distributions	–	–	(655)	(655)
Other movements	–	(2)	–	(2)
Balance at beginning of year	165	571	–	736
Profit for the current year available for division among members	–	678	–	678
	165	1,249	–	1,414
Allocated profit	–	(641)	641	–
Contributions by members	34	–	–	34
Repayments to members	(10)	–	–	(10)
Drawings and distributions	–	–	(641)	(641)
Balance at end of year	189	608	–	797

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.

20 Commitments under operating leases

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

	2013		2012	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one year	53	5	67	6
1–2 years	40	3	51	3
2–3 years	36	1	39	1
3–4 years	49	–	34	–
4–5 years	47	–	44	–
More than five years	622	–	665	–

21 Financial instruments

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

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

21 Financial instruments continued

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 considers its capital to comprise of 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 amounts invoiced 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, 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 2013 totalling £322m (2012: £311m) are predominantly held with five leading international banks, with the main £225m facility due to expire in June 2015. For independence reasons, following our proposed appointment as auditor of one of these banks, the Group will need to withdraw from £81m of its total £322m facilities before 31 October 2014.

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 to that risk 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.

Interest rate risk

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

21 Financial instruments continued

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

	2013				2012			
	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	766	–	–	–	729	–	–	–
Investments	–	8	–	–	–	5	–	–
Cash and cash equivalents	236	–	–	–	159	–	–	–
Liabilities								
Trade and other payables	–	–	–	517	–	–	–	460
Borrowings	–	–	–	51	–	–	–	36
Members' capital	–	–	–	189	–	–	–	165
Other non-current liabilities	–	–	–	41	–	–	–	34
Forward foreign-exchange contracts								
Cash flow hedges	–	–	–	–	–	–	1	–

Interest rate profile of financial assets and financial liabilities

Group and LLP short-term deposits with banks of £209m (2012: £129m) and Group borrowings of £51m (2012: £36m) are subject to floating interest rates. Within Group and LLP investments are floating rate subordinated loan notes of £2m (2012: £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 2013 of £1m (2012: net denominated liabilities of £18m) and net euro denominated assets at 30 June 2013 of £13m (2012: net denominated assets of £15m).

Derivative financial instruments

Forward foreign-exchange contracts all mature in less than 18 months, 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 (2012: nil). The effective portion of cash flow hedges recognised directly in other comprehensive expense was £1m (2012: £1m in other comprehensive income). The notional principal amount of forward foreign-exchange contracts was £66m (2012: £74m).

22 Reconciliation of profit after tax to operating cash flows

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Profit after taxation	740	727	678	664
Tax on profits	8	9	–	–
Adjustments for:				
– Depreciation, amortisation and impairment	35	32	3	4
– Loss on disposal of property, plant and equipment	2	–	–	–
– Loss on disposal of intangible assets	1	–	–	–
– Gain on disposal of business	–	(3)	–	–
– Finance income	(81)	(98)	(82)	(97)
– Finance expense	98	94	94	89
Changes in working capital (excluding the effects of acquisitions):				
– Increase in trade and other receivables	(36)	(72)	(15)	(15)
– Increase (decrease) in trade and other payables	51	27	21	(39)
– Increase (decrease) in provisions and other non-current liabilities	3	3	(4)	(7)
– Increase in retirement benefit assets	–	(74)	–	(73)
Cash generated from operations	821	645	695	526

23 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 partners 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 2013, the LLP provided services to the United Kingdom Partnership to the value of £201,000 (2012: £247,000) under these arrangements. There were no balances outstanding at the end of the year (2012: nil).

Administrative support to PricewaterhouseCoopers United Kingdom Partnership

On behalf of its members, the LLP provides certain administrative services to support the United Kingdom Partnership, including the calculation of annuities and paying agent arrangements in connection with the pension annuities and certain other post-retirement payments due to certain former partners of that partnership. The LLP charged the United Kingdom Partnership £200,000 for these support services for the year ended 30 June 2013 (2012: £200,000). There were no balances outstanding at the end of the year (2012: nil). Amounts paid during the year to the annuitants on behalf of the continuing members in their capacity as partners in the United Kingdom Partnership totalled £85m (2012: £82m).

Transactions with joint ventures

Details of the Group's interests in joint ventures are provided in note 10. During the year, Skyval Limited, a wholly owned subsidiary of Skyval Holdings LLP, charged the Group £640,000 (2012: nil) for services provided. There were no balances with joint ventures outstanding at the end of the year (2012: nil).

23 Related party transactions continued

LLP

The subsidiary undertakings as described in note 10 are related parties of the LLP. The transactions and year-end balances with these related parties are as follows:

	2013 £m	2012 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	1,433	1,451
Other subsidiaries	11	17
Provision of services to related parties		
Other subsidiaries	(22)	(21)
	1,422	1,447
Year-end balances with related parties		
PricewaterhouseCoopers Services Limited	(166)	(189)
Other subsidiaries	9	15
	(157)	(174)

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

Workplace & Diversity

	Units	2017 Target	2014 Target	2013	2012	Base	Base year
Talent attraction and retention							
Graduate retention (3 years)	percentage	85%	83%	78%	79%	82%	2010
High potential retention	percentage	95%	90%	90%	89%	89%	2012
Voluntary turnover	percentage	12%–15%	12%–15%	12%	12%	14%	2008
People engagement score	score out of 5	4.20	4.03	3.98	4.03	3.97	2007
Inclusion and diversity							
New hire diversity: gender – women	percentage	50%	43%	42%	41%	41%	2009
New hire diversity: ethnicity – BME[1]	percentage	30%	25%	23%	23%	21%	2009
Partner admissions: women	percentage	30%	20%	16%	18%	14%	2007
Employee wellbeing							
Absence through sickness	percentage	<3.5%	–	3.2%	3.1%	3.3%	2009
Work-life balance[2]	score out of 5	3.80	3.65	3.53	3.60	3.67	2008
Learning and development: spend	£ per FTE	–	–	1,361	1,445	916	2010

1 BME – Black Minority Ethnic (where provided)
2 Based on internal staff 'youmatter' survey

Community involvement

	Units	2013	2012	Base	Base year
Community contribution (cash, time and in-kind)[1]	£ million	7.1	7.2	4.3	2007
Employee involvement					
Volunteering during working hours	no. of occasions	5,320	6,500	2,900	2007
Volunteering during working hours	no. of people	4,069	4,933	4,226	2011
Time spent volunteering	working hours	45,386	54,267	37,400	2007
Skills-based volunteering	percentage of hours	80%	67%	58%	2011
Payroll giving participation	percentage of staff	3.2%	3.1%	3.5%	2011

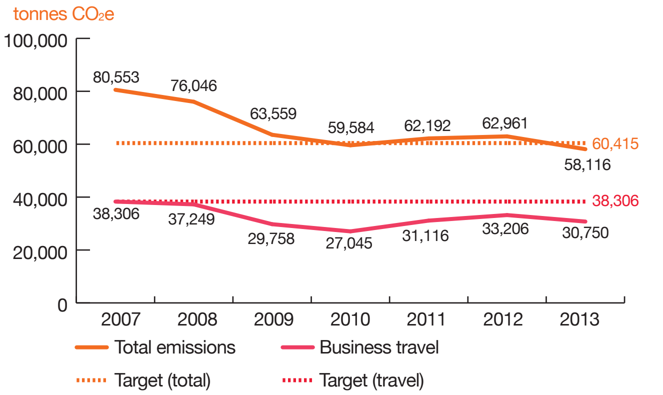
1 Measured according to the London Benchmarking Group (LBG) principles. Restated to reflect more detailed data and updated measure of cost for discounted and pro bono work

Environment

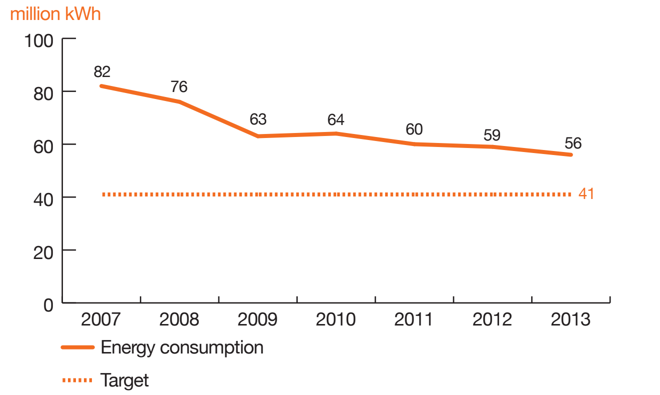
	Units	2017 Target	Progress against base year	2013	2012	2007 Base
Carbon emissions[1]						
Scope 1[2]	tonnes CO_2e	–	–30%	3,874	3,337	5,572
Scope 2	tonnes CO_2e	–	–37%	18,306	21,121	29,069
Scope 3: Business travel[3]	tonnes CO_2e	0%	–20%	30,750	33,206	38,306
Scope 3: Other[4]	tonnes CO_2e	–	–32%	5,186	5,297	7,606
Total	tonnes CO_2e	–25%	–28%	58,116	62,961	80,553
Operations						
Energy	million kWh	–50%	–32%	56	59	82
Paper procured	tonnes	–50%	–52%	409	509	844
Water supply[5]	m3 (k)	–50%	–32%	141	163	206
Online meetings	meetings hosted per FTE	–	636%	1.03	0.49	0.14[6]
Waste[4]						
Landfill	tonnes	–100%	–100%	0	23	587
Incineration to energy	tonnes	–	–45%	773	747	1,408
Recycling	tonnes	–	4%	2,149	2,256	2,059
Total	tonnes	–50%	–28%	2,922	3,026	4,054

1 Calculated using Defra conversion factors (May 2012)
2 Fugitive emissions added this year. Landlord operated offices and 2007–2011 estimated on the basis of office area
3 Rail and associated carbon emissions restated to reflect improved estimation technique
4 New waste streams added for 2012 and 2013 and estimated for prior years
5 2012 data restated to reflect more accurate data
6 2010 data shown as earliest year available
All data excludes Middle East

Carbon emissions: total and travel



Energy



We set a target to reduce absolute carbon emissions by 25% against a baseline of 2007, decoupling our environmental impact from business growth. So far we're exceeding our target and have reduced our overall carbon emissions by 28%.

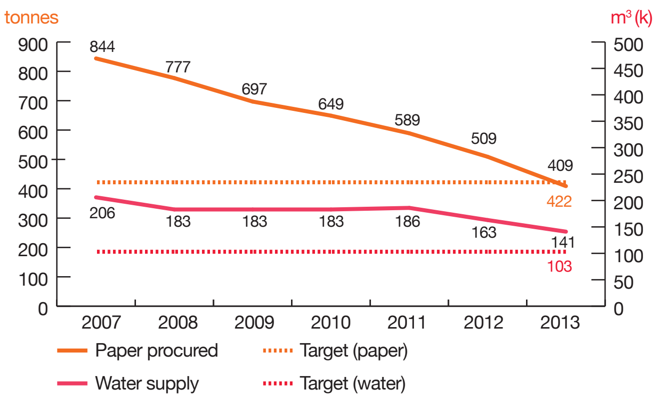
Business travel is a prerequisite of delivering services to our clients and remains our biggest environmental challenge. Our carbon emissions from business travel have reduced 20% since 2007, continuing to exceed our target to hold them flat. This has been aided by reduced travel through the summer due to the Olympic period, so our challenge is to hold these gains in future years as we grow the business. To support this, we ran a campaign this year to promote online meetings and have introduced a new metric to our reporting to monitor our progress.

Over the last six years we've invested in technology to reduce the amount of amount of energy used to light, heat and power our offices. We're already well on our way towards our 50% target, having reduced our energy used by 32% since our baseline of 2007.

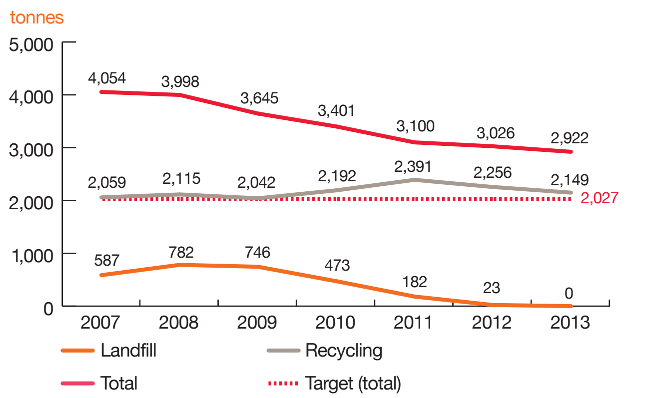
This has largely been achieved through a combination of good energy management practices and installing energy efficiency technology in both our 7 More London office and more recently the refurbishment of our Embankment Place office.

For further details, see our Lessons Learned on energy reduction: www.pwc.co.uk/cslearningsenergy

Paper and water



Waste: total, recycling and landfill



We've had considerable success in reducing paper procured, which is down 52% since 2007 – already achieving our 2017 target of 50%. This has, in part, been achieved by our move to multi-functional devices which have double-sided printing as a default and only print if a secure pass code is entered within one hour. Our challenge is now to retain this improvement as our business grows.

Our water supply has reduced 32% since 2007. We still have a way to go to meet our target reduction of 50%, but since focusing on water over the last couple of years we've started to see some improvement as we install new water-saving technologies in our offices.

Our total waste is down 28% since 2007, on our way to meeting our target of 50%. Progress has been slightly slow in the last year due to a clear-out as we refurbish our main office at Embankment Place, London.

Recycling makes up 74% of our waste, in line with last year although significantly up since 2007. Last year we also achieved our previous target of moving to zero waste to landfill and have succeeded in upholding this for a further year.

For more details, see our Lessons Learned on waste: www.pwc.co.uk/cslearningslandfill

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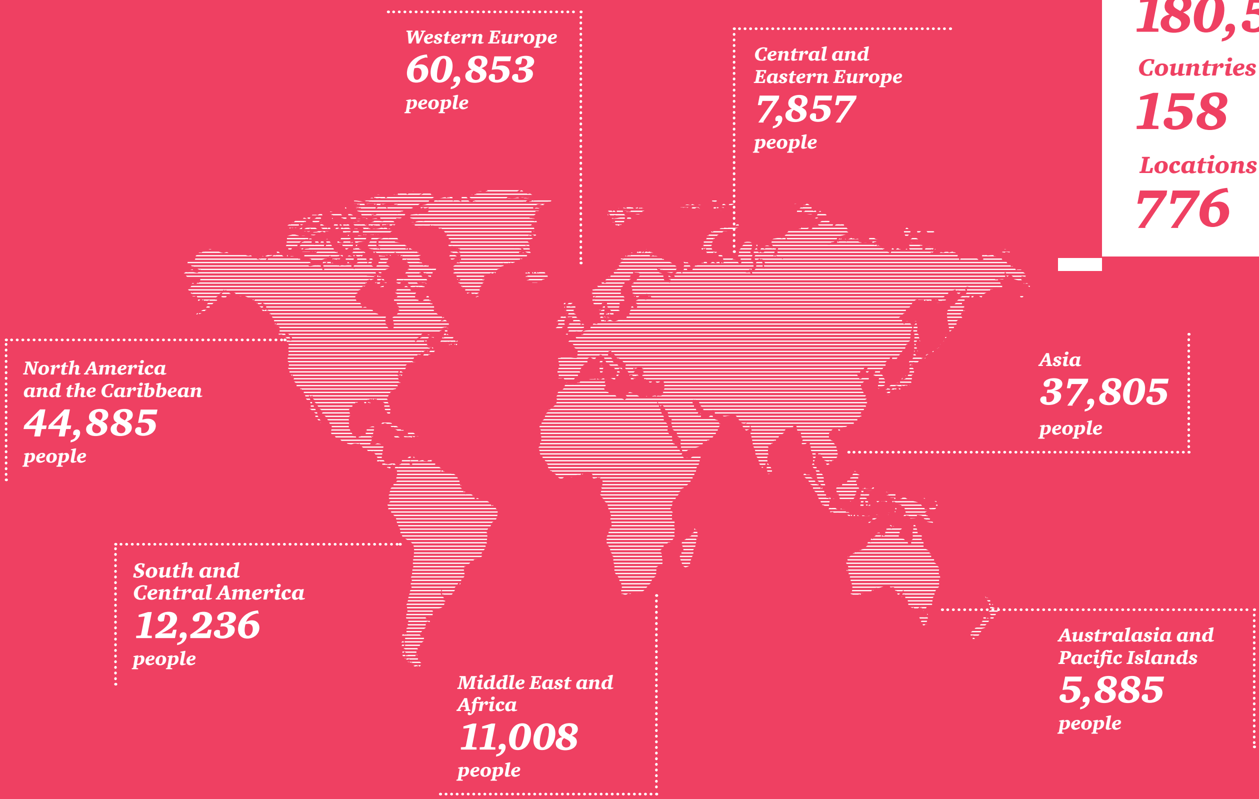
21456

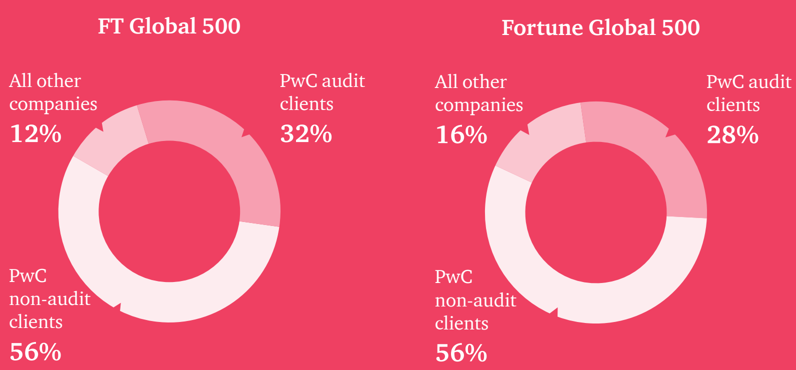
Our global network

People

PwC people
180,529
Countries
158
Locations
776



Clients



PwC firms provided services to 422 companies in the Fortune Global 500 and 439 in the FT Global 500.

Audit clients include both sole and joint audits. Non-audit clients are those companies where PwC did not provide statutory audit services and where revenues exceeded US$ 500,000 in FY12.

These figures relate to the financial year ending 30 June 2012. Data for the financial year ending 30 June 2013 will be available in October 2013.