

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

Notes to the financial statements continued

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.

Notes to the financial statements continued

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 emissions¹						
Scope 1 ²	tonnes CO ₂ e	–	–30%	3,874	3,337	5,572
Scope 2	tonnes CO ₂ e	–	–37%	18,306	21,121	29,069
Scope 3: Business travel ³	tonnes CO ₂ e	0%	–20%	30,750	33,206	38,306
Scope 3: Other ⁴	tonnes CO ₂ e	–	–32%	5,186	5,297	7,606
Total	tonnes CO₂e	–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
Waste⁴						
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

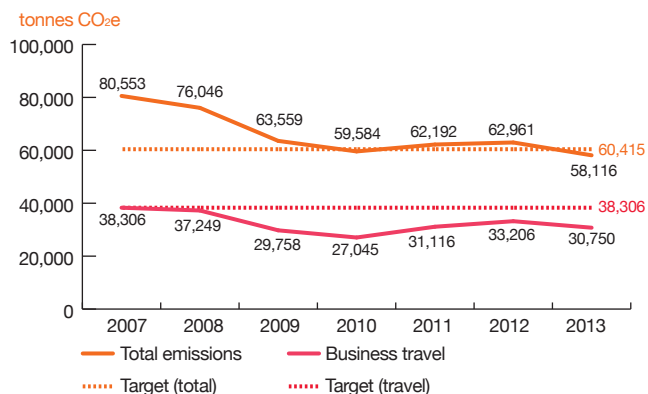
5 2012 data restated to reflect more accurate data

6 2010 data shown as earliest year available

All data excludes Middle East

Environment continued

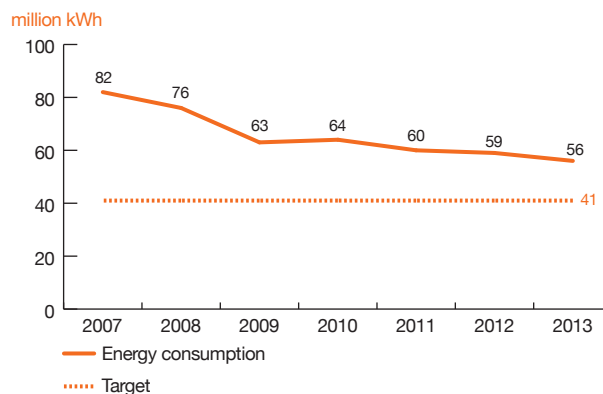
Carbon emissions: total and travel



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.

Energy

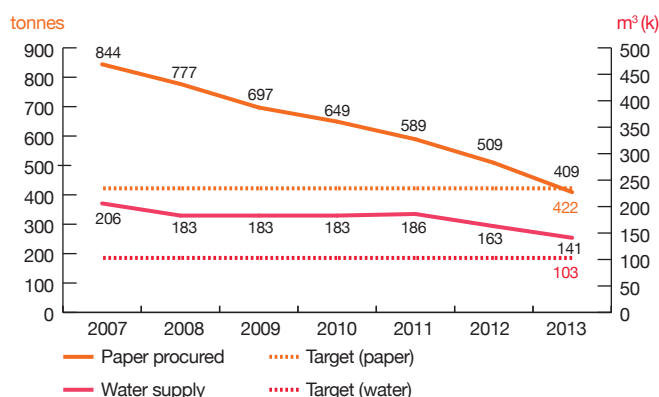


Over the last six years we've invested in technology to reduce the amount of amount of energy used to light, heat and power our offices. We're already well on our way towards our 50% target, having reduced our energy used by 32% since our baseline of 2007.

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

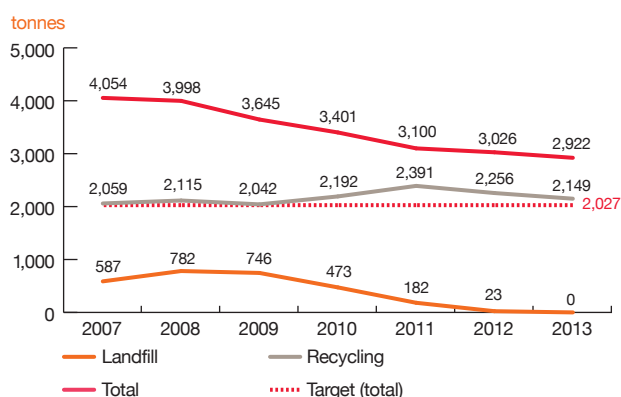
Paper and water



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.

Waste: total, recycling and landfill



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