PricewaterhouseCoopers LLP
Annual Report 2009

Doing the right thing

PricewaterhouseCoopers

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

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

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

Read on to find out more.

Contents

pwc.co.uk/annualreport09

Our website provides another medium to view this annual report and has interactive features and videos to watch.

Building the iconic firm

We have held our nerve through a difficult economic period and focused on staying close to our clients. We have balanced taking the right decisions now with making investments for the medium and long-term future success of our firm.

I'm delighted to welcome you to our annual report for 2009, setting out the firm's strategy and goals, and analysing our performance and achievements.

Strategy and vision

The Executive Board set out our strategy and vision as we began to enter the current economic downturn. That strategy remains true. We aim to be a powerhouse of a commercial organisation that does the right thing for our clients, our people and our communities. We have a culture and reputation for doing the right thing even in the most difficult circumstances, and we will continue to lead the profession expressing distinctive views on key issues.

Economic downturn

This has undoubtedly been a difficult period for our clients and a challenging period for our own firm. Nobody could have predicted the events we have witnessed over the course of the last year. What started as a financial crisis, stemming from problems in one corner of the US mortgage market, has spread to become a global economic crisis with far-reaching business consequences.

My priority and that of the Executive Board has been very much on keeping our people working and focused on continuing to develop sustainable relationships with our clients – many of whom have needed us in these tough times and have looked to us for our support. My career has spanned three significant downturns and I know that it is during such periods of uncertainty that the strongest and most enduring client relationships are formed.

The effect of the downturn and the strength of what I call our 'one firm' proposition were typified in what has

Doing the right thing…

July

Ian Powell elected UK Chairman and Senior Partner

PwC's 10th anniversary was marked by Ian Powell taking over from Kieran Poynter as UK Chairman and establishing our vision to become the iconic professional services firm. Ian was previously head of Advisory and has been a partner in the UK firm for 18 years.

to be the iconic appointment of the year. In September 2008, PwC was the clear choice for the Lehman Brothers administration, not just because of our experience in complex administrations, but also because of our unrivalled financial services expertise and international reach. We have shared with you the details of this extraordinary assignment later in this report. I am very proud of the professionalism and commitment of all PwC partners and staff who supported the PwC team at Lehman and helped to make such significant progress saving jobs and unlocking funds in perhaps the most complicated administration ever undertaken anywhere in the world.

Investing in our business

Notwithstanding the turbulent economic backdrop, it has been an exciting and transformational year for PwC.

We believe it is vital to accelerate our investment to ensure we come out of this recession even stronger than we came into it. One such area of strategic investment and future growth opportunity is sustainability, particularly in the financial services sector, as it seeks to rebuild trust and confidence.

2009 highlights

Ian Powell
Chairman and Senior Partner

See Ian at pwc.co.uk/annualreport09

To ensure we do the right thing we measure our business performance by these key performance indicators (KPIs).

Client experience

Client satisfaction score[1]

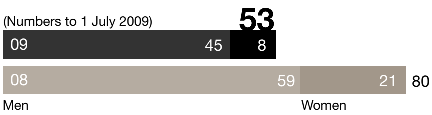
PwC brings fresh insight[2]

See pages 8-13 for more on our client strategy.

People experience

People engagement score[3]

Partner admissions[4]



See pages 14-21 for more on our people.

Sustainability and community

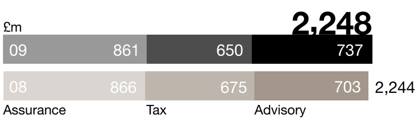
CO_2 emissions[5]

Time volunteered in the working day

See pages 22-25 for more about our sustainability and community strategy.

Financial

Turnover[6] (£m)



Profit per partner

See pages 30-65 for a full financial report.

1 Figures based on a client poll to assess their view on how well we engage with them.
2 A new client feedback programme was started in Jan 2008 which now reports on a full year. Previously it reported on six-month periods.
3 Figures based on *youmatter* survey.
4 Numbers to and including 1 July 2009.
5 CO_2 figures based on Defra guidelines April 2008. Prior year air travel figures have been restated to conform with the current year presentation to reflect improved data collection.
6 Prior year analysis by line of service restated to conform with the current year analysis.

'In September 2008, PwC was the clear choice for the Lehman Brothers administration, not just because of our experience in complex administrations, but also because of our unrivalled financial services expertise.'

In December we acquired Sustainable Finance Limited, an international advisory firm with a focus on financial services and a reputation for advising on mega trends such as climate change and carbon emissions. We now have over 70 sustainability professionals in the UK, and a total of 800 globally in the PwC network, providing both the strategic expertise and delivery capability to help clients understand and act on the extensive business opportunities arising from sustainability issues.

Another significant acquisition was that of the reward consultancy Halliwell Consulting, providing advice on executive remuneration and share schemes which complemented our existing team and capability in this area.

In May, we formed a strategic alliance with our network firms in the Middle

East. The region offers some of the most significant growth potential anywhere in the world, both for PwC and for many of our clients. We can bring investment, particularly in terms of people and experience, to enhance the Middle East firms' capabilities in key sectors, such as government and financial services, and in key geographies such as Saudi Arabia, Abu Dhabi and Qatar.

I believe this is very good news for our clients, and for PwC partners and staff in the Middle East and in the UK, as we strengthen our ability to serve our clients with even wider resources and greater specialist expertise.

Investing in our people

In line with our growth strategy, we have continued to recruit across all grades from graduates to partners in 2009. We believe our decision to recruit, for example, more than a thousand graduate trainees this year is vital for the long-term viability and success of our firm.

For the sixth year running, PwC has come top in The Times Top 100 Graduate Employers survey and, perhaps unsurprisingly given the climate, applications for our graduate positions are up 48% on previous years. I'm also particularly pleased to report that for the first time this year, PwC was named finance sector graduate employer of the year in The Times High Fliers survey. It's the first time a professional services firm has won the category, which is normally the preserve of investment banks. PwC also claimed top spot for Accountancy in the same survey, for the 10th consecutive year.

I was also delighted that Britain's Finance Directors voted PwC as their Large Audit Firm of the Year in the Real Business

Sustainable investment

Sustainability is as important to our clients as it is to PwC. So to ensure that we continue to provide advice on the very latest approaches and best practice, the past year has seen heavy investment in our Sustainability & Climate Change (S&CC) practice.

A major part of this has been the acquisition of Sustainable Finance, an international advisory firm focused on environmental and social risk management in the financial sector.

Sustainable Finance was established in 2003 and helped develop the Equator Principles, the financial industry standard for managing environmental and social risks in project financing. Co-founders Leo Johnson and Matt Arnold have joined PwC as direct entry partners in the UK and US respectively.

The acquisition of Sustainable Finance follows the recent appointment of Malcolm Preston, a senior partner, as S&CC practice leader and the trebling in size of the firm's sustainability and climate change team overall. In the last year, the team has worked on groundbreaking projects for both public and private sector clients, and it also works closely with the World Business Council for Sustainable Development and the Copenhagen Climate Council. In May, we launched an advertising campaign (pwc.com/climateready) to raise awareness of the issues that will be discussed at the next Global Treaty on climate change in December.

PwC climate change campaign at Copenhagen airport

'Sustainability and climate change will continue to dominate our clients' agendas. PwC has the expertise and scale to help business address these challenges.'

Malcolm Preston, Practice Leader, PwC Sustainability & Climate Change

August

UNHCR campaign for Darfur refugees

Employees across the PwC network, their friends and their families, gave a record £2m to the UN Refugee Agency (UNHCR) to help build and operate schools for 20,000 refugee children who have fled Darfur into eastern Chad.

‘Our role in the community is important to PwC and an area of deep personal interest for me. Through our PwC in the Community programme, we contribute time, expertise and resources while offering opportunities to all our people to gain new skills and personal fulfilment.’

Awards, a well-deserved recognition of the commitment to excellence and client service in our Assurance practice.

Over the course of the year, we have admitted a total of 21 direct-entry partners, each with exceptional talents and commercial expertise. And we continue to develop talent from within, having made 32 partner promotions on 1 July 2009, and with our Emerging Leaders programme for high-potential managers providing both stimulus and opportunity for our next generation of partners.

Community

Our role in the community is important to PwC and an area of deep personal interest for me. Through our PwC in the Community programme, we contribute time, expertise and resources while offering opportunities to all our people to gain new skills and personal fulfilment. We continually look for different and impactful ways to do this, for example our long-running and successful annual pantomime (see page 19), which combines a huge community affairs programme with an innovative leadership development initiative.

Our community affairs programme has been running for over 15 years. A fundamental part of this commitment is the way our people volunteer to be involved. During 2009, 4,600 (2008: 3,700) of our staff across the country donated over 41,300 (2008: 40,900) working hours to a wide range of activities which focused on education, employability and the environment, in addition to their own personal volunteering efforts. Our total community contribution – including cash, time and in-kind support – amounted to £7.9m (2008: £6.8m), and we are proud to be one of the first UK businesses to have achieved the CommunityMark accreditation. We are determined to build on this success in the future and will look to combine our business expertise with our commitment to the communities in which we live and work.

Sustainability

Sustainability is increasingly a major consideration for all businesses, including our own. We are in the process of integrating corporate sustainability into all aspects of what we do – ranging from the advice we give to clients, to our contributions to public policy, being a great place to work, minimising our environmental impact and working with our suppliers and local communities.

Ahead of the G20 summit held in London in April this year, PwC took a leading part in the World Economic Forum meeting looking into low-carbon economic prosperity. The firm joined 52 companies and 32 experts in forming a taskforce to work with government and UN offices to develop a set of practical projects and policy proposals to stimulate the low-carbon economy from 2010 onwards. The key difference with this taskforce is that it intends to be very focused on the practical, with pragmatic recommendations that we in business can and should all support.

Internally, PwC’s own sustainability strategy and performance was recently independently assessed and recognised for outstanding environmental performance in The Sunday Times Best Green Companies list, and the firm has also recently received environmental certification ISO 14001.

Audit quality

PwC’s reputation is built around independence and integrity. Past experience tells us that audit quality comes under most intense scrutiny during and immediately after economic downturns. We recognise the public interest responsibility vested in our audit practice and we take an uncompromising approach to audit quality based around our core values of excellence, teamwork and leadership. We recruit and train exceptionally talented people and offer them a supportive and consultative culture with strong leadership, underpinned by quality procedures and effective quality assurance. We publish

September

Annual Volunteering Excellence Awards

£35,000 was awarded to ten charities and voluntary organisations, recognising their work and the extraordinary commitment of the firm’s employees to volunteering with them. The funds are the latest in an 11-year programme which has so far seen £311,000 distributed via PwC volunteers.

a separate transparency report, which sets out in greater detail our approach to maintaining audit quality.

Taking responsibility

I believe PwC as market leader has a responsibility to play a prominent role in those debates that will shape the future business landscape. Over the past 12 months I have shared our views on matters ranging from the future regulatory landscape for the financial services sector to the case for a consistent approach to fair value accounting and the need for personal responsibility in business leadership.

Looking to the future

Looking forward, I'm confident we have the people and collective sense of purpose to continue our firm's success. By remaining true to our vision of being a powerhouse of a commercial organisation that does the right thing for our clients, our people and our communities, I believe we have already made significant progress towards delivering our goal of becoming the iconic firm.

Thank you to our clients and our people for their support this year.

Ian Powell, Chairman

The day after tomorrow

What began as a crisis for individual markets and institutions has now undermined the foundations of the entire global financial system.

The day after tomorrow is PwC's thought paper on how the financial services industry will adapt to its new world with significant changes to its traditional models. The paper analyses the emerging themes as the fallout from the crisis continues and financial services providers grapple with a new environment.

According to the paper, distinguishing features of the new landscape are an accelerated shift of economic power towards the East; a simpler, more transparent form of banking based on a more classic banking model; governments 'inside the tent', potentially raising significant conflicts of interest; a stricter governance structure based on national and international regulation and the need for sustainable business models that move financial institutions from survival to longer term strategies.

'Financial transformation of this kind is unprecedented, and as the financial crisis has developed it has become clear that the only thing you can expect is the unexpected.'

Jeremy Scott, Senior Financial Services partner

Winning in the market

We will continue to invest in developing our relationships and expertise so that we remain the first choice for clients. Our key objective is to deliver the best client experience possible.

See Richard at pwc.co.uk/annualreport09

This year has seen the greatest changes in demand for our services that I can ever recall.

Our performance

The firm primarily operates in the UK but our services are heavily influenced by international markets. Almost all markets across the world have been hit by the credit crisis and the following economic downturn. Over the years, UK and global GDP growth and transaction volumes have been strong leading indicators of demand for our services. In the year to the second quarter of 2009, UK GDP fell by 5.6%. The volume of M&A transactions has fallen dramatically over the period.

Despite the turbulence in our markets, over the past year we have been able to deliver financial performance consistent with 2008. Overall turnover was slightly ahead of last year, at £2,248m, with profit available for division among members also slightly ahead of last year at £667m. We have 3% more partners than in 2008, so our profits per partner are down by 3% on average at £777,000. In the current market conditions we consider this to be a strong performance. We have achieved this through a focus on delivering excellent client service and by carefully managing our cost base.

Our goal is to manage our cost base tightly and to continue to invest in our business during the downturn in order to come out of the recession stronger than when we went in. Overhead and discretionary cost savings during the year in our core UK business were approximately £50m and we expect this to be an enduring benefit. Major investments during the year have included a strategic alliance with PwC in the Middle East and the acquisition of Halliwell Consulting and Sustainable Finance. However, our major investment is in our people – we continued to invest heavily in our existing people, spending over £33m on learning and education, and we invested in 53 new partners and over 1,700 new staff.

We have maintained and indeed enhanced the investment we have made in our people by moving work around different units in the firm and retraining significant numbers of people. It has been impressive to see how everyone has responded as 'one firm' to meet rapidly changing client needs and as we have sought to support the people in our more vulnerable businesses.

PwC UK

Markets

Segment	Industry	Region
FTSE 100	CIPS	London
Mid-Cap	Financial services	South East
Private equity	TICE	North
Entrepreneurial and private clients	Government	Midlands
Inbound		Scotland
Public sector		West & Wales
		Northern Ireland
		Channel Islands
		Middle East

Line of Service

- Assurance
- Tax
- Advisory

TICE – Technology, infocomm, entertainment & media
CIPS – Consumer, industrial products & services

Our contribution

Our firm makes a significant contribution to the UK public purse through the taxes paid by our business and employees. In the past year this amounted to £623m of business, property and employment taxes. This figure excludes tax paid by our partners on their individual share of the profits of the firm. Further details of our Total Tax Contribution can be found on page 32, and more information on our model, which is increasingly used by companies to assess the level of their contribution to Government finances, can be found at pwc.co.uk/ttc

October

Launch of Disability Network

Our Disability Network – one of 11 networks within the firm – was founded to raise awareness within PwC of the issues of living and working with disability. Diversity and inclusion are key to our strategy for competing in the current and future marketplace.

BBC

Next generation BBC

As with all broadcasters, the arrival of the digital age is having a profound effect on the BBC. Everyone, from TV producers to live broadcast teams, must transform the way they operate to secure their competitive position in the market in the future.

Under a backdrop of demonstrating public value and in a wider and more varied competitive marketplace, the BBC established the 'Next Programme' in 2007 – a business transformation programme focusing on the technology specialists in four different divisions who support both IT and broadcast infrastructure across the Corporation. As well as the realisation of savings, the objective of the programme was to standardise processes and systems across the four teams, and consolidate the divisions, resulting in a headcount reduction of approximately 20%.

As part of the Next Programme, PwC was appointed to help develop a business case around how technology consolidation could realise financial savings. On approval of the business case, PwC worked with the BBC to set up and prepare internal teams to drive and deliver the expected benefits. We then assisted the teams, and senior management, through the first year of implementation.

Year 1 target savings were exceeded and the programme is currently on target to deliver in years 2 and beyond.

Structuring our business

Over the past year we have improved our client focus by assessing the firm's performance in two dimensions: our markets and our businesses. We look at the market by segment, industry and region. Our businesses are organised in three Lines of Service (LoS): Assurance, Tax and Advisory.

The markets dimension is designed to combine a strategic view of the needs of clients with the focus, support and challenge at an individual client team level. The segment leaders focus on our largest national clients which account for about 45% of our revenues, working with our industry leaders to bring insight and knowledge to our clients and the teams that serve them.

The LoS are responsible for businesses which are largely organised around competencies. Each business is responsible for a full profit and loss account considering all issues from innovation and business revenue growth through to efficient delivery. Our detailed results by LoS are outlined on pages 12 and 13.

Looking ahead: market trends

We have done extensive work to understand the context in which we are likely to operate over the next three years.

We consider that we will still be operating in very challenging market conditions for most of our businesses. The external markets are still credit constrained and this, together with concerns around consumer confidence, makes it difficult for our clients to invest in their businesses. Our assumption is, therefore, that there will not be a significant upturn in the volume of transactions in the next year.

Given the limited prospect of economic recovery in FY10, we believe growth will mostly come from market share as opposed to the size of the market increasing. Agility and entrepreneurship will be required to make the most of the significant opportunities that a rapidly changing environment brings.

The rate of change in our clients' industries is now faster than ever. Weak demand is making the gap bigger between winners and losers; some traditional market leaders are failing or losing ground to nimbler competitors, and the economic balance of power is shifting more rapidly eastwards. This provides us with opportunities to help our existing clients adjust, and to assist tomorrow's emerging winners.

The composition of our own client base is also changing. This year 56% of our turnover came from services provided to our non-audit clients, continuing the trend we have witnessed in recent years. See page 13 for further details.

Our strategy

Our strategy for FY10 and beyond is designed to achieve transformational growth of our consulting market share and extend our lead in our core businesses of audit, tax, business recovery services and transactions. We are also looking to expand a number of our other businesses where we see there being excellent long-term growth prospects, such as human resource services, risk assurance and forensics.

Looking at the markets we serve, we believe we are well placed to increase our market share in financial services, public sector and with entrepreneurs and private companies. Our assurance practice is well placed to increase its market share in all sectors of the audit market. Finally, we are increasingly embedding a sustainability dimension in many of our service offerings.

November

Women of the Future Awards

PwC was highly commended in the corporate award category at the annual Women of the Future Awards in London. The awards bring together the rising stars of business, professional and public life and recognise the organisations doing the most to support and nurture them.

Performance targets

We have set ourselves ambitious targets for revenue growth and profitability so that we can continue to invest in developing our business. These will be impossible to achieve unless we have a single-minded focus on improving the way we service our clients and motivate our people. We constantly receive feedback from our clients and our people to ensure we listen to how we can best make improvements.

Leading around the country

Our regional network is fundamental to our strategy. We have offices in 32 locations outside London and in the Middle East employing 6,622 partners and staff, and of the 53 partners promoted this year 20 came from outside London. Each of these regional offices is able to combine local business knowledge and expertise with the full scale and breadth of PwC's capabilities.

Agenda for change

Our agenda for change will continue in FY10. We believe there are benefits to our clients and our business of looking at how we deliver our services and we will be reviewing some of our core business models in FY10.

We have around 2,800 people dedicated to servicing other professionals in the firm. Many of these people were subject to a reorganisation that took place on a rolling basis during FY09. FY10 will see these people better placed to provide improved service quality at reduced costs with enhanced career prospects.

In conclusion, we are well placed to stand by our clients and our people. We look forward to another year of exciting opportunities.

PwC: United for England's World Cup Bid

England's bid to host the 2018 or 2022 FIFA World Cup Finals was launched in May at Wembley by David Beckham, Wayne Rooney and members of the successful 1966 World Cup winning team. Members of the PwC team, including project leader and sports and leisure leader Julie Clark and Executive Board member Paul Rawlinson, were also at Wembley on the day and Paul explained why PwC is supporting the bid:

'Winning the bid to host the FIFA World Cup would be a fantastic boost to sport in this country and give a real lift to the economy. In addition to the obvious sporting benefits, we believe that hosting the 2018 World Cup will significantly benefit England's economy.

The overlap between cities where we have an existing PwC office and strong presence in the local community and the likely stadia which would host matches in the tournament creates a real opportunity for everyone in our firm to get behind the bid. Since we announced our support for England 2018 there has been a real sense of excitement and anticipation amongst our partners and staff and a determination to do all we can to help bring the FIFA World Cup to England'.

Andy Anson is Chief Executive of England 2018:

'PwC got involved at the outset and has shown real commitment to helping us try to win the right to host the FIFA World Cup. They can help us build the business case we need for a successful bid. I'm really excited to have PwC as a bid supporter.'

Business performance highlights

Assurance

Richard Sexton
Head of Assurance

- We have maintained our leading audit market share for both the FTSE 100 at 40% (2008: 39%) and FTSE 250 at 27% (2008: 29%)
- We made significant progress growing our audit market share of large private companies
- We have seen a significant increase in non-statutory audit work for government and public services
- We were voted by UK finance directors as the Large Audit Firm of the Year for 2009
- We won Best Treasury Consultant at the Treasury Management International Awards
- Our Actuarial practice, one of the largest in the UK, achieved good growth with net revenue increasing by 6% (2008: 4%)
- Demand for our Risk Assurance Services has remained strong throughout the year, generating double digit growth
- For the second year in a row we won three out of every five significant audit proposals we took part in.

£861m
FY09 turnover
£866m FY08 turnover

Note: Prior year turnover analysis restated to conform with the current year analysis.

Tax

Barry Marshall
Head of Tax

- The Global Tax Monitor recognises us, by reputation, as the leading firm in the UK for tax advice and as the leading firm in the UK for advising on difficult and complex tax issues[1]
- We have the leading reputation in the following areas of the HR consultancy market: employment tax, international mobility and HR function effectiveness[2]
- As a result of the slowdown in transactions and related corporate tax services we saw an overall decline of 4% in tax revenues this year
- Despite tough market conditions our Human Resource Services and indirect tax practices continued to perform strongly with positive growth this year
- We won Employee Benefits Consultant of the Year and Actuarial Consultant of the Year at the FT Pensions and Investment Provider Awards
- In May we were awarded UK Transfer Pricing Firm of the Year at the International Tax Review European Tax Awards
- During the year we acquired Halliwell Consulting, a leading executive remuneration and share scheme advisory firm to complement our existing strength in this area.

£650m
FY09 turnover
£675m FY08 turnover

1 These results are based on the year-ending Q1 2009 figures, with a sample size of 313 primary buyers of tax advice in the UK. Launched in 2000, the Global Tax Monitor (GTM) is a multi-client independent survey conducted by research agency TNS, that examines the competitive position of the top firms in the tax advisory market – globally, regionally, nationally and on an industry basis. It provides a comprehensive measure of firm reputation, client service and brand health, gained currently from just over 3,000 telephone interviews annually with key decision makers (CFOs and Tax Directors) in 31 key markets.

2 Lighthouse UK HR monitor survey 2009.

Advisory

Kevin Ellis
Head of Advisory

Note: Prior year turnover analysis restated to conform with the current year analysis.

- Our consulting business grew by 10% and the Kennedy Report ranks the firm at No.1 overall in the business consulting market
- For the fourth successive year we topped the ThomsonReuters' Project Finance International (PFI) table for number of deals closed globally. We also came top by volume of deals closed in EMEA in 2008
- We were Top UK Advisers by deal values $50m to $1bn (by volume) over a ten-year period
- For the third year we were awarded Commercial and Market Due Diligence Team of the Year and for the first time the Financial Due Diligence Team of the Year at the Private Equity News Awards
- We won the largest market share of all insolvencies by value, including the largest ever, Lehman Brothers. Our insolvency appointments this year cover assets worth £483bn. We have restructured debt in excess of £600bn and acted on many high-profile turnarounds, together with members of our Turnaround Panel, resulting in Turnaround of the Year awards for our clients.

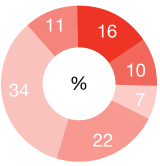
£737m

FY09 turnover

£703m FY08 turnover

Segment analysis

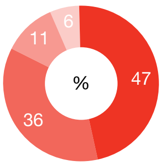
2009 turnover £2,248m
(2008 turnover £2,244m)*



- FTSE 100 £372m (2008: £395m – 18%)
- Mid-Cap £217m (2008: £212m – 9%)
- Private equity £155m (2008: £239m – 11%)
- Entrepreneurial and private clients (EPC) £496m (2008: £535m – 24%)
- Inbound £765m (2008: £661m – 29%)
- Public sector £243m (2008: £202m – 9%)

Industry analysis

2009 turnover £2,248m
(2008 turnover £2,244m)*

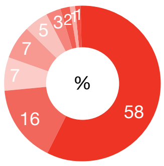


- Consumer, industrial products & services £1,043m (2008: £1,114m – 50%)
- Financial services £811m (2008: £713m – 32%)
- Technology, infocomms, entertainment & media £255m (2008: £298m – 13%)
- Government £139m (2008: £119m – 5%)

*Note: Market and industry prior year analyses have been restated to conform with the current year analysis.

Regional analysis

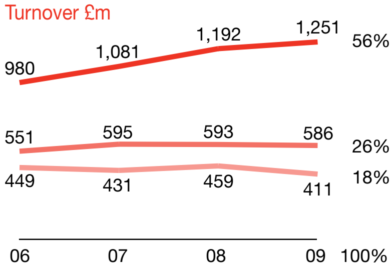
2009 turnover £2,248m
(2008 turnover £2,244m)*



- London £1,306m (2008: £1,283m – 57%)
- South East £349m (2008: £365m – 16%)
- North £168m (2008: £176m – 8%)
- Midlands £160m (2008: £169m – 8%)
- Scotland £111m (2008: £107m – 5%)
- West & Wales £62m (2008: £59m – 3%)
- Northern Ireland £47m (2008: £57m – 2%)
- Channel Islands £30m (2008: £28m – 1%)
- Middle East £15m (2008: nil)

Service analysis

Turnover £m



- Services to non-audit clients
- Audit services
- Non-audit services to audit clients

December

St Martin-in-the-Fields Christmas Appeal

Over 30 secretaries from across the firm joined Chairman Ian Powell to staff the phones in support of the BBC Radio 4 Christmas Appeal. The Appeal, which raised over £730,000 in 2008, is broadcast every year to raise funds for homeless and vulnerable people in central London.

The right stuff

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

Our people are fundamental to achieving our goal of building the iconic professional services firm. To our clients our people are PwC. So we focus on recruiting, training, motivating and rewarding a diverse and highly talented group of people, offering them an environment in which their talent can flourish. The better our people, the better our business. It's that simple.

Nurturing talent

Creating an environment where talented people feel motivated starts at the top. As the leadership team, we have a responsibility to set a clear direction

January

PwC Pantomime

200 of our people volunteered their time throughout the year to bring *Sleeping Beauty* to the stage. Over 9,000 people saw the seven performances, including approximately 4,700 pupils from London schools and charities through a free ticket scheme funded by the firm.


James Chalmers
Head of Strategy and Talent

See James at pwc.co.uk/annualreport09

and enable our people to deliver their best. Of equal importance, however, is the personal responsibility each of our people takes to play their role in helping us deliver our vision.

Our people strategy focuses on the following key areas:

People priorities

- Recruiting the best people
- Engaging our people
- Mobility and agility
- Developing our people
- Diversity
- Rewarding performance
- Managing performance

We test our progress through our 'youmatter' partner and staff survey, which we conduct twice a year. The April 2009 survey generated the highest ever response rate at 80% (73% in October 2008).

How we're performing

Recruiting the best people

The landscape for graduate recruitment has changed dramatically in the last 12 months in line with the economic downturn. As a firm we have seen much higher application levels as more and more graduates have looked to professional services for a career.

We continue to benefit from our position as the leading graduate employer, for example, as voted for by students in The Times Top 100 Graduate Employers survey.

The increase in applications has presented both challenges and opportunities as we look to manage this higher volume but at the same time raise the bar still further on the quality of recruits we take on.

We have continued to recruit our target numbers, some 1,000 students, across all our programmes. We firmly believe it's a prudent commercial strategy to ensure we have the right number and quality of people at the firm as we begin to come out of the recession.

We were voted the top graduate employer by students for the sixth year in a row in The Times Top 100 and, for the first time this year, PwC was named finance sector graduate employer of the year.

We have launched some new INS1GHT programmes:

- A Talent Academy for first-year undergraduates was launched in July 2009 – the first of its kind in the UK
- An International Internship programme for second-year undergraduates to broaden the experiences of our student hires.

‘We realise that sustaining our leading market position depends on unlocking the innovation, creativity and potential of everyone who works here.’

See our case study ‘A graduate’s story’ to read about the experiences of a PwC intern.

Alongside student recruitment, we also took on over 700 experienced hires from outside the firm to bolster the highest growth areas of our businesses. We have recruited at all levels and have invested in over 50 director and partner hires.

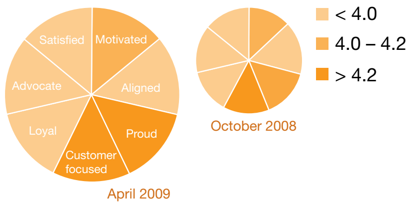
The 12-month rolling turnover at close of June is 17.2% (2008: 16.6%) and the high performer cumulative turnover is 6.6% (2008: 10.4%).

Engaging our people

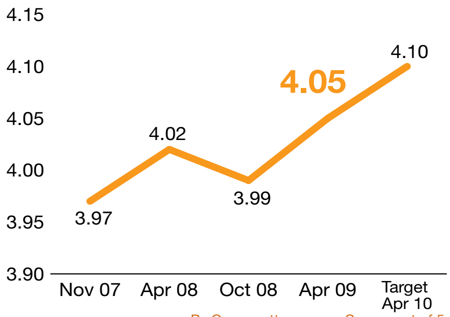
Engagement levels rose between November 2007 and April 2009, with 61% now highly engaged or engaged.

The link between client engagement and people engagement is clear. Analysis of our own data shows us that those of our business units with high people engagement also have the highest client engagement.

Attributes of engagement



Engagement score



PwC youmatter survey. Scores out of 5

Mobility and agility

Our priority is to meet the changing needs of the business and manage through the downturn. Whether as opportunities for individuals or where the business has a strategic need to strengthen part of the firm, it makes great business and people sense to us to use our existing talent.

This year 50 people from our Tax team moved to our Performance Improvement Consultancy and Business Recovery Services team to help them meet increasing demand for their services. Others continue to support clients directly through secondments from the firm. See our ‘Treasury Secondment’ case study on page 18 to hear Heather Blumberg’s story.

Mobility at PwC will become increasingly international as our business strategy embraces developing economies, with our people moving to other key territories such as China, India and the Middle East.

In the last year we had 177 people on international assignment and 269 inbound secondments from our network. A group of Chinese students joined us for nine months as part of the UK/China working programme sponsored by governments in both countries. This summer the students are returning home to complete their studies before taking up roles at our offices in China.

Developing our people

The more we develop our people, the more we understand our clients’ businesses and can offer new perspectives. We invest in our people’s development throughout their careers. We seek to provide an optimal mix of client experience, coaching and development programmes, supported by a range of activities including international assignments, community partnerships and voluntary programmes.

One such example is the PwC annual Pantomime (see our 'In the limelight' case study on page 19 for more details).

Our priorities this year have been to support three valuable programmes:

- Emerging Leaders, for over 100 managers of exceptionally high potential
- Responsible Leadership, aimed at our partners
- Foundation for the Future, an industry-leading programme pioneered in our consulting business. It helps new graduates and experienced hires learn about the culture of the firm and our methodologies.

These programmes are anchored in real business problem-solving, providing the necessary stretch needed to create our next generation of leaders.

Diversity

We realise that sustaining our leading market position depends on unlocking the innovation, creativity and potential of everyone who works for the firm. Diversity and inclusion is therefore an integral part of our strategy for competing in the current and future marketplace.

The basis of our strategy is to recognise all the ways in which people are different, from gender and ethnicity to social background and personality. Given our size, our diversity is our strength. We perform best by harnessing the collective and complementary skills, knowledge, backgrounds and networks of a rich mix of people who work together in an environment that is fully inclusive and totally respectful of individuals. Each of our Board members actively sponsors one of our diversity networks and has taken on a mentoring role for individuals in the firm.

A graduate's story

Katy Cheung, an Audit senior associate, reflects on life through the eyes of a third-year graduate. Katy has a degree in Physics and Astronomy from Durham and currently works in our Newcastle office.

'I first came to PwC on an internship, having been through the same assessment and recruitment process as a graduate. Before you start meeting with clients, you take part in a week's training at PwC's own conference centre – and it's this initial experience that really set the tone for me. PwC seems genuinely focused on developing its people – not only to be auditors but really equipping them for a life in business.

'I've been supported through my ACA qualification, and alongside compulsory training there are courses you can be enrolled on if there is a gap in your knowledge. You are also expected to learn on the job and are constantly being coached by those more senior than you.

'Now three years in, I audit clients of various sizes and industries. Although the underlying job is the same, it's varied, as I'm always working with different people in different places and learning how different businesses work.

'The people here make it an enjoyable place to work. There's a lot of good banter and there are social events throughout the year.

'As for the future, once I'm fully qualified I think I might start to look internally for a secondment in order to gain a different set of experiences. In that respect PwC offers some incredible choices, so you don't necessarily have to look outside the firm to do something different.'

'With 32 offices and the huge breadth of clients we have, we can offer graduates a great career wherever they are based.'

Kevin Nicholson, Head of Regions

February

Launch of School Governors' Network

Education is one of the key focus areas of the firm's community affairs programme. At least 210 of our people volunteer as school governors, taking steps to help improve and maintain educational standards in their community. In recognition of this work, the firm launched the PwC School Governors' Network.

Treasury secondment

Early this year, the Treasury introduced the Asset Protection Scheme (APS), aiming to remove continuing uncertainty about the value of banks' past investments, clean up their balance sheets and provide them with greater confidence to rebuild and restructure their operations – all leading to increased lending in the economy.

Heather Blumberg, currently on secondment to the Treasury from PwC, shares her experiences:

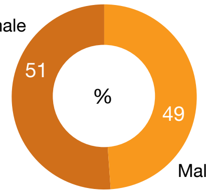
'I was originally brought in as a programme manager to design and set up the project structure. The responsibilities of the team include providing reports to the Treasury to help it make informed decisions on the APS, as well as liaising with other consultancies, banks, investment banks and various teams of lawyers.

'We've been able to help the Treasury establish a Project Management Office that will continue to operate effectively long after the engagement has ended.

'This has been an incredible learning opportunity. It's a groundbreaking assignment for a high-profile client and it's giving me the opportunity to manage a large team under incredible pressure.

'I am a working mum and the firm has been very supportive, ensuring I have access to the numerous provisions available and that I am being "looked after" and managing to get some downtime.'

Gender split across the UK firm



Ethnic minority 17%
Registered disabled 1%
Student intake over 25 22%

13% of our UK partners are female, and of our internal admissions to partnership on 1 July this year, 16% (5) were female.

Successes in the past year include:

- Opportunity Now Award for Advancing Women in Business
- Gold Standard in the Opportunity Now benchmarking survey
- Ranked 21st in the Stonewall Workplace Equality Index

Our priority areas for next year

We have clear priorities for the coming year. We will continue to recruit the best people, through a focus on our graduate employer proposition and targeted experienced hires in growth areas.

We will further enhance our key learning and development programmes, and seek to inspire and motivate our people. We are introducing a one firm approach to managing our people which will ensure greater transparency around the wellbeing and performance management of our people.

We are focusing on equipping our managers with the coaching and management skills needed to give staff honest feedback to continually improve performance. We are introducing a one firm approach to bonuses and

March

Institute of Travel Management Awards

PwC and Hogg Robinson Group won the Corporate Team category in the ICARUS Environmental Supplier Awards 2008/9. Project ICARUS was founded in 2006 by the Institute of Travel Management to answer a need from within the travel and meetings industry to reduce its carbon footprint.

performance ratings to provide clarity and consistency where it's needed.

We recognise that we need to do more to ensure that the rich diversity of talent we attract in the firm is better represented within our partnership and leadership teams, and this is a personal as well as a Board priority. One example of action we are taking is the extension across the entire firm of an award-winning programme piloted in our Advisory business to increase the number of women coming through to partnership.

Recruiting outstanding people and helping them maximise their potential means that we are well placed to continue to deliver the best of PwC to our clients and our communities.

In the limelight

Now in its 23rd year, the annual PwC Pantomime acts as a development tool for PwC employees up and down the country. For the 200 people involved, it presents a unique opportunity to learn new skills outside the normal work environment, as well as to build personal networks across the firm. Time management is critical, but so are leadership, planning and communication.

The Panto has built up over the years to be a professionally run society. Work on the new production starts as soon as the curtain has gone down on the previous year's shows. Throughout the year those involved give up to 10,000 hours of their time to the development of the show, mostly at evenings and weekends, but each participant must also balance the demands of the production with their responsibilities at work. The ability of the Panto community to work under pressure as a team is highlighted by many as the secret of the show's success. Those involved are drawn from across the firm and from all grades, each with a different skill and each prepared to help others with tasks varying from choreography to set building, marketing to voice-coaching.

The Panto is seen by over 9,000 people a year, mostly children from schools and charities. The performance in the theatre is also broadcast live to seven children's hospitals around the UK and Ireland, where PwC employees join the ward staff to give out Panto activity packs, song sheets and games. Visit pwc.co.uk/annualreport09 to hear from the cast and crew.

'The cheers and screams of a thousand happy children as the curtain goes up simply blows you away. The energy and enthusiasm of our people who put on show after show, year after year is incredible.'

Paul Rawlinson, Head of Markets and Industries

Right place, right team

September 2008 saw the largest ever PwC deployment on a single assignment when 620 partners and staff from 17 business areas across the firm took on the Lehman Brothers administration.

Paul Copley, Ellie Lishman and Trang Trinh

When PwC's head of insolvency, Tony Lomas, took the call about Lehman Brothers he had just 24 hours in which to assemble a team to respond to perhaps the biggest and most complex administration in history. Three of those team members share their experiences.

Having joined PwC as a summer intern in 1993, Paul Copley is now a Business Recovery Services (BRS) partner in London:

'On Sunday 14 September I received a message telling me to go into Canary Wharf right away. We worked through the night as the bank collapsed and I then got completely immersed in the job. Eleven months later here I am.

'On the Sunday, we had six people on site. Less than 24 hours later we had 150, and within a few weeks over 300. First and foremost, either insolvency or banking and capital markets experience are important. After that, we're looking for a commercial outlook, tenacity, project management skills, diplomacy and sheer stamina.

'Over the period, there has been a core of people who have remained here throughout, but generally speaking we look to rotate people on and off the assignment after a few months where possible, so that they can keep getting lots of different experiences at the firm.

'Without question, the opportunities at PwC are virtually limitless. The leadership team promotes the idea of 'cycles of experience'. Whilst this means different things to different people, during my career I've worked in five PwC business units, two offices, three continents, about ten countries and one secondment – and I'm still learning. Right now I'm at Lehman Brothers and well-placed to

April

Opportunity Now Awards

The Opportunity Now Awards recognise employers committed to creating an inclusive workplace for women. PwC won the Advancing Women in Business Award for our Women's Leadership programme, which supports women in the firm through to partnership, and the first Global Award, which recognises an outstanding diversity programme extending across at least three countries.

assist other financial services clients who are in distress, but in a few years' time, who knows?'

Ellie Lishman joined PwC as a graduate and is now a Forensics executive based in our Leeds office:

'I volunteered to join the project during a team meeting and a week later I was at Lehman Brothers in Canary Wharf. I oversee a team of people in Trust Property who are processing and investigating client asset claims.

'In my first month here I worked with colleagues from Forensics, Business Recovery Services, Performance Improvement Consulting, Regulatory, Audit, Banking & Capital Markets and Insurance & Investment Management. I don't think any other firm could have pulled together that combination of people at such short notice.

'There are so many stakeholders in Lehman that it's a careful balancing act. By ensuring the administrators have all the information and facts before making a decision, they are protecting the interests of all involved wherever possible.

'The impact the Lehman collapse has had on the wider world due to its size and number of creditors is substantial. By communicating regularly with the outside world they have been able to involve other communities as much as possible. Reading about the work that we are doing in the news has been a real insight – especially when emotions are running high amongst clients.'

Trang Trinh is a Financial Services manager on secondment from PwC's Melbourne office:

'I came to London through PwC's Global Mobility Programme, having previously worked on assignments in Scotland, Switzerland, the US and New Zealand.

'My role on Lehman is to work with Front Office traders, legal advisers and external parties to unwind live derivative positions and securities, working on about three to four transactions simultaneously, all with the objective of realising cash for the Lehman estate.

'Our work at Lehman brings 'doing the right thing' to life for me as we are working as one team for the benefit of the creditors and those affected by the collapse. I have benefited from this too through the invaluable experience that I am gaining, given that a job of this magnitude and complexity has never been done before.

'It has been a fantastic experience; not only has it been challenging but also a very interesting project to work on. The learning curve has been very steep, especially on the insolvency and legal aspects. I have also definitely developed my technical knowledge and the softer skills; particularly in being able to engage and interact with so many different people. And when I return home, I will have a broader network of friends and colleagues.'

Taking responsibility

It's good to be good, but it's better to be great. We are committed to embedding our sustainability agenda in every part of our business.

Doing the right thing in terms of our sustainability footprint is a major part of who we are. Our corporate sustainability strategy is based not just on understanding our impacts but also on being motivated to manage them more effectively.

Our sustainability strategy

We have deliberately taken an integrated approach to developing and managing our community and environmental responsibilities; taking the advice and guidance of our own Sustainability and Climate Change experts.

Our strategy is based on four key areas:

Working with clients
Supply chain management
Managing our operations
Working with our community

Working with clients

To help our clients compete in the new low-carbon economy and resource-constrained world, we have invested in a team of 70 sustainability and climate change specialists. They have embarked on a programme of embedding their expertise and skills into all PwC's existing services so that all risks, and opportunities, are fully understood.

This has enabled us to create the world's first carbon reporting template, 'Typico plc' and advise policymakers on carbon markets and regulation; we had a leading role at the World Business Summit on Climate Change in May. We also support companies to understand their true carbon footprint and assess the ethical risk and resource constraints in their supply chain, as well as helping boards to engage employees in their sustainability agenda and enlightening investors and financial institutions in the true value in forestry and other sustainable projects.

As well as looking for solutions to halt the effects and further damage of climate

Richard Collier-Keywood
Managing Partner

change, there will be a big need to adapt to the temperature increases already set in motion. We will work with our clients to identify where that will affect them most.

Supply chain management

Our purchasing policy identifies managing environmental issues in our supply chain as one of the key aspects of our supplier management strategy. We held another sustainability forum in January 2009 for our leading suppliers, to learn from each other and commit to making further reductions in the environmental impact of our supply chain.

In 2006, we began to work with a key supplier, MITIE, on its Real Apprentice scheme. This has so far seen 17 young people trained in our London sites, and our other service partners have agreed to take part in the next programme later this year.

Last year we were delighted to win the TELCO (The East London Communities Organisation) Award and we remain committed to paying the Living Wage to all our service partner employees who provide services in our buildings. The Mayor of London Boris Johnson announced the new London Living Wage rate on 22 May 2009 and we will bring this into effect in London, as well as an equivalent rate in the regions, in the coming financial year.

Managing our operations

A positive impact has been seen from our internal sustainability and communication initiatives, as our people become more environmentally conscious and engaged. Our key new building at More London Riverside is currently under construction and will be an innovative workplace for more than 5,000 of our people in London. It will deliver the exemplary environmental standards expected of a modern workplace, with 60% lower carbon emissions than a typical compliant office building.

Travel management

- Our air travel CO_2 emissions are down 20% on last year, partly through better information being available to our frequent travellers on their sustainable travel choices and personal CO_2 footprint
- Usage of video conferencing facilities has increased 44% since the beginning of the year
- The average CO_2 output of new vehicles coming into our car scheme is 140g/km, which compares to a UK average for new cars in 2008 (latest available data) of 158g/km.

May

Auditor of the Year

PwC was voted Auditor of The Year at the Real FD/CBI FDs' Excellence Awards. Votes were received from over 500 Finance Directors who evaluated the auditors, banks, technology providers and law firms that support the UK's companies.

THE CLIMATE GROUP

The balance of power

Substantial climate change over the coming years is unavoidable and although there is a clear need to take action, progress to date has been slow and its impact limited. Over the past year, PwC has been looking at how Concentrating Solar Thermal Power (CSP) could play an important part in both delivering energy security and addressing global greenhouse gas emissions.

With solar energy virtually unlimited in most parts of the world, CSP is one of the few currently available low-carbon technologies which could play a dominant role in the electricity sector over the next 40 years. It also provides tremendous opportunities to support economic and social development in developing countries.

To help us deliver on this ambition, PwC has formed *Solar Potential* – a working partnership with The Climate Group and the Potsdam Institute for Climate Impact Research. This partnership aims to accelerate the global uptake of renewable sources of electricity as a direct means of tackling climate change and energy security.

Over the next few years we will be working with organisations and governments around the world to develop a roadmap for delivering 'solar potential'. This blueprint will help governments take direct and immediate action to move us to a lower carbon world.

The improvements we have made over the past year reflect a general reduction in travel caused by the economic downturn and also the desire of our people to act responsibly and embrace new technologies.

Energy management

- Lighting control and low energy lighting is now installed in over 40% of our buildings which, together with effective operational management of heating and air conditioning systems, has enabled us to further reduce our energy consumption by 16%
- Over 60% of our buildings now have remote metering, allowing us to manage energy use more effectively
- We are consuming 6% less energy per m^2 compared to recognised industry benchmarks
- The installation of voltage stabilisation and replacement hot water systems coupled with solar energy technology have also contributed, and if trials are successful will be developed further next year.

Waste

- Aluminium and cardboard recycling have increased by 80% and 51% respectively, thanks to a greater number of recycling facilities and better communication of recycling opportunities
- Nearly 20% of our buildings have moved to 'zero waste to landfill'. Our target is 100% of our own buildings by 2012.

Resource management

- Paper consumption has reduced by 10% this year, mainly due to a reduction in desk-side printers, down by 190 units in the past year.

Carbon management

- We continue to purchase green electricity from renewable sources over and above the Renewable Obligation Certificate requirements. We support a number of projects such as wind farms and bio-mass which involve generating renewable energy, verified to the Voluntary Carbon Standard.

Environment management systems

- We have achieved ISO 14001 certification for all operational buildings within the UK.

Community

Through our community programme we contribute time, skills and resources across a number of areas while offering opportunities to our own people to learn and develop new skills. Our programme is based around the three key areas of education, employability and the environment.

Education

Our ambition is to raise academic achievement and provide support for teachers. Over 290 PwC people across the country have been involved in supporting our partner schools during working hours over the year, acting as role models and sharing experiences and learning with each other. Key initiatives have included mentoring school students and co-coaching teachers.

We also recognise the important role the creative arts can play in helping young people engage through formal and informal education. We currently have art and theatre programmes up and down the country, including Perform, Write, Create in Birmingham, the Royal Exchange Theatre in Manchester and London's Shakespeare's Globe Theatre.

June

World Environment Day

As part of a week-long volunteering event involving 328 people from our London offices, 49 employees each spent a day during the week painting, weatherproofing bird features and weeding waterways at the Wildfowl & Wetlands Trust in Barnes, south London.

Employability

We help young people develop the skills that employers seek through running workshops and interview technique sessions. We also support businessdynamics, a programme delivered by the national education charity Enterprise Education Trust. It aims to prepare young people for the world of work through a series of interactive activities explaining business concepts such as marketing and finance. Over 215 people have volunteered as seminar leaders during the year, facilitating group discussions and role-play.

Environment in our communities

Our environmental programmes are focused on helping to improve our local communities, as well as educating young people about environmental issues. PwC has membership with a number of organisations offering environmental volunteering opportunities. Our volunteers are able to address local community needs while developing their own teambuilding and leadership skills.

Supporting our people

Alongside our formal community programme, we also support the charities with which our people volunteer outside working hours, recognising this commitment through two initiatives. Our Volunteering Awards Scheme supported 253 people during the year with sums of up to £5,000 for their charities, and through the Matched Giving Programme, £239,200 has been donated in support of the fundraising efforts of 1,119 members of staff.

Achievements this year

After being awarded the CommunityMark last year, we have continued to build on our relationships with all our community partners. We are pleased that the efforts of our people have been widely recognised beyond PwC.

- Sunday Times Top 20 Best Big Companies to Work For 2009 – we were ranked 4th in the Giving Something Back category and shortlisted for 'engagement with schools and colleges'
- Scottish Business in the Community Awards for Excellence – winning Large Company of the Year and retaining our Big Tick Talent award for a second year
- Northern Ireland Responsible Company of the Year 2009 – shortlisted for the company that best demonstrates its commitment to responsible business practices, with positive impacts across the environment, community and workplace.

We celebrated being members of Business in the Community (BITC) for 25 years and are represented on many BITC Leadership Teams around the UK.

We believe we have a positive impact on the communities in which we operate but also recognise that we are dependent on these same communities. In keeping with our goal of doing the right thing we want to ensure that our impacts remain positive, especially in difficult economic times. One practical way we do that is to use the skills and expertise of our people in helping young people develop their skills and talents in a way that will improve their employment prospects. We also support the development of enterprise in communities where we operate so that they are able to flourish.

We were delighted that PwC was highlighted in The Cabinet Office's Building Stronger Communities 'Business and the Third Sector: Innovation in tough times' report on helping communities during the recession which was launched in July 2009.

School for Social Entrepreneurs

As part of our commitment to work more closely with social enterprises around the UK, PwC provides bursaries and mentoring to a number of up-and-coming entrepreneurs at the School for Social Entrepreneurs (SSE).

SSE was set up in 1997 to provide training and opportunities to enable people to use their creative and entrepreneurial abilities more fully for social benefit. These social entrepreneurs are the lifeblood of the third sector, responding to unmet needs and new opportunities in innovative, robust and sustainable ways.

SSE runs practical learning programmes across the UK aimed at helping develop the individual entrepreneur and their organisation simultaneously. Whilst entrepreneurship can't be taught, SSE helps people develop their own capacities in a supportive, collaborative environment.

PwC's mentoring role is an opportunity for the firm to use its business knowledge and expertise to support the resourcefulness, drive and innovation of social entrepreneurs in the form of practical action.

'Our relationship with PwC is multifaceted and the relationship mutually beneficial. The role that PwC has adopted has been, and continues to be, exceptional. PwC's approach to community engagement has undoubtedly made a marked and sustainable improvement to how social entrepreneurship is perceived in the corporate sector.'

Alastair Wilson, CEO SSE

Responsible leadership

Key to 'doing the right thing' is a leadership team with experience, energy and discipline – and a shared understanding of our goals. This is that team.

UK Executive Board

Ian Powell –
Chairman and Senior Partner

Richard Collier-Keywood –
Managing Partner

James Chalmers –
Head of Strategy and Talent

Kevin Ellis – Head of Advisory

Owen Jonathan – General Counsel

Barry Marshall – Head of Tax

Kevin Nicholson – Head of Regions

Paul Rawlinson –
Head of Markets and Industries

Richard Sexton – Head of Assurance

Keith Tilson – Chief Financial Officer

Managing the firm

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

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

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

It is chaired by Ian Powell, whose term of office runs for four years from July 2008. The Chairman appoints the other Executive Board members, all of whom are partners in the firm.

Each board member has responsibility and accountability for a specific aspect of our business.

The Executive Board generally meets monthly, but also conducts formal business at additional meetings as necessary.

The Supervisory Board

The Supervisory Board, which is independent of the Executive Board, is elected by the partners. Its meetings are held monthly and are attended by the Chairman of the Executive Board, as an ex officio member. The three-year term of office of the current Supervisory Board ends on 31 December 2009.

July

Dennis Nally appointed Chairman of PwC International Ltd

Dennis replaced outgoing Chairman Samuel DiPiazza, who retired after a 35-year career with the firm. Dennis was head of PwC's US firm from 2002 and is a member of the global PwC Network Leadership Team.

The members of the Supervisory Board, all of whom served throughout the period, are:

Gerry Lagerberg*, Chairman

Pam Jackson, Deputy Chair

Mohammed Amin†

Clare Bolton*

Colin Brereton

John Dowty†

Roy Hodson*††

Gordon Ireland**

Mike Karp

Ron McMillan (to 30 June 2009)

Pat Newberry†

Ian Rankin*†

Duncan Skailes

Julia Smithies*

Graham Williams†

Ex officio member:

Ian Powell

* Senior Management Remuneration Committee member

** Senior Management Remuneration Committee Chairman

† Audit Committee member

†† Audit Committee Chairman

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

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

The Audit Committee is a committee of the Supervisory Board that has responsibility for reviewing the policies and processes for identifying, assessing and managing risks within the firm. It oversees the management of those risks, including financial control, compliance and independence. It also reviews the firm's financial statements and considers the scope, results and effectiveness of internal and external audit, including reviewing the external auditors' independence and any non-audit services and fees. The Chief Financial Officer and General Counsel, together with the internal and external auditors, attend the committee's meetings by invitation. It met six times in the year ended 30 June 2009 (2008: five times).

Managing risk

The Executive Board takes overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these systems and for ongoing monitoring of risk and the effectiveness of control 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 Risk Council, an Executive Board committee which is responsible for ensuring that the controls are in place to identify, evaluate and manage risk
- Our Lines of Service and our internal firm services, which maintain risk registers that document risks and the responses to them. They each carry out a risk assessment annually and report to the Risk Council on how effectively they have managed risk during the year
- Our internal audit team, which reviews the effectiveness of the financial and operational systems and controls throughout the firm and reports to the Executive Board and the Audit Committee
- Our risk and quality functions, which oversee our professional services risk management systems and report to the Executive Board
- The Compliance Policy Council, a committee of the Executive Board, which ensures that our policies and procedures take account of key regulatory and compliance requirements.

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

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

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

Maintaining quality

Our client, regulatory and public interest responsibilities demand that we consistently deliver reliable and high-quality work. Our approach to quality is supported by our Code of Conduct, which embodies our core values of excellence, teamwork and leadership. The key elements enabling us to maintain our reputation for quality include the following:

Quality people

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

Consultation

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

Quality procedures

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

Quality assurance programmes

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

Learning lessons

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

Building relationships

Glyn Barker, Vice Chairman, comments on the firm's senior decision-maker programme, which brings together current and future leaders from the public and private sectors.

'Board members are facing greater challenges than ever before in terms of rising expectations, regulatory requirements and legal obligations. PwC is in a unique position to help. We have an unrivalled network with senior decision makers in the public and private sectors; contacts that have been built over many years of client service.

'And within the firm we have leading experts in every aspect of Board responsibilities and corporate leadership. Our senior decision-maker programme brings together these two groups to share their experiences and learning.

'We also believe that PwC should play its full part in developing the next generation of Board members for the public and private sectors. We have a range of programmes focused on helping to prepare these future leaders.

'I know from the time I spend talking to senior figures that they value the chance to spend time both with their peers and with experienced partners from PwC to discuss some of the common issues they face leading large organisations. And alongside these meetings we regularly research and publish briefings on the latest trends and best practice.'

The year in numbers

Members' report

The Executive Board submits its report and the audited consolidated financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2009. This Members' report should be read in conjunction with the other sections of this annual report.

Financial performance

Our turnover grew marginally to £2,248m, compared with growth of 7% in the prior year. The outturn is particularly pleasing given the current UK and global economic conditions and the reduction in deal-related activity. It results from our strategy of having a diverse range of top-quality businesses and services.

See Keith at pwc.co.uk/annualreport09

Operating costs

Staff costs increased 2% to £974m, reflecting the impact of prior year pay awards and staff termination costs, offset by a 17% decrease in staff bonuses to £71m (including National Insurance).

We paid particular attention to tight control over other operating costs which, expressed as a percentage of turnover, improved to 14.5%, compared to 15.4% in the prior year. Notwithstanding this, we continued to invest in our business, in particular in IT, sales-related training, our property infrastructure and in risk and quality.

We measure the quality of our infrastructure and support services by reference to both service level agreements and cost and by regular *Your Services Your Say* surveys. Our latest survey results show that internal service satisfaction levels have remained high at 92% (2008: 93%).

Staff pensions

Some 8,300 of our staff are active members of the firm's various pension arrangements. The majority are members of the firm's defined contribution scheme, with some 1,200 staff being members of, or having eligibility to join, one of the firm's defined benefit arrangements.

The latest triennial actuarial reviews of the defined benefit schemes, as at 31 March 2008, have been finalised. As a consequence the firm has committed to make incremental deficit reduction payments totalling £132m over the next four years. The actuarial valuations carried out for the purpose of these accounts indicate a total deficit of £140m, compared to £42m in the prior year.

The increase in the deficit primarily reflects a decrease in the long-term discount rate used to value scheme liabilities, combined with reductions in asset values as a result of economic conditions.

Profit for the financial year

Total profit for the financial year of £680m comprises profit available for division among members of £667m and profit attributable to minority interests of £13m.

Profit available for division among members increased by £3m from £664m to £667m. Average profit per partner, which is stated after excluding the impact of members on overseas secondment, decreased 3%, down from £797,000 to £777,000.

Net assets and financing

Our balance sheet remains strong, with net assets of £497m (2008: £508m). Working capital management remained strong, with profit after interest, tax and working capital adjustments generating a positive operating cash flow of £718m (2008: £653m).

The firm is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions totalling £144m (2008: £116m) are determined by the Executive Board, having regard to the working capital needs of the business. They are set by reference to an individual member's equity unit profit share and are repayable following the member's retirement.

The Group's bank facilities totalled £262m at the year-end (2008: £138m), with the Group's principal facility renewed in June 2009 under a £250m three-year arrangement that expires in June 2012. The Group's facilities are spread across a number of banks and are maintained at a level sufficient to meet the expected peak cash requirements of the business.

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

Members' profit shares

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

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

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

Each member's performance income, which in the current year represents on average approximately 35% of their profit share (2008: 37%), is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the member's role. These objectives include ensuring 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 and interim profit allocations, based on a percentage of their individual responsibility income.

Total tax contribution

The Group contributes to UK Government finances through taxes borne and taxes collected. We pay a range of taxes including employment taxes, property taxes, indirect taxes and environmental taxes. Our largest UK tax borne is National Insurance Contributions of £82m (2008: £81m), reflecting the fact that people are essential to our business. This tax is part of our total taxes borne of £139m (2008: £139m). In addition to taxes borne, the Group collected taxes on behalf of the UK Government of £484m (2008: £484m), comprising employment taxes and indirect taxes. These taxes are an indication of the value we add in society through our business activities. They demonstrate our wider economic impact and overall contribution to the Government. This year, in addition to taxes paid in the UK, the Group has paid taxes in the Middle East which are not included in the figures below.

Total UK tax contribution to 30 June 2009

	June 2009 £m	June 2008 £m
Business taxes paid		
Employers' NIC	82	81
Business rates	12	11
Corporation tax	32	33
PAYE/NIC on benefits	9	8
Insurance premium tax	1	1
Other	3	5
	139	**139**
Business taxes collected		
Net VAT	235	242
PAYE	201	198
Employees' NIC	48	44
	484	**484**
Total UK tax contribution	**623**	**623**

The majority of the Group's tax on profit and capital gains is borne directly by individual members and is therefore not reflected in the financial statements of the LLP or the Group. Members of the LLP bear income tax, broadly at about 40% on their individual share of the profits of the LLP, together with a further 1% National Insurance Contribution. The Group administers the payment of these taxes and makes periodic distributions of profit to enable members to settle their tax liabilities.

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 to the Group's trade creditors at the year-end as a proportion of the total amounts invoiced by suppliers during the year, was 18 days (2008: 16 days).

Political donations

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

Areas of assistance may include observations on the improvement of legislation or proposed legislation, the exchange of information relevant to effective policy development and the encouragement of liaison between parties and groups affected by legislation or policy. In considering any assistance, the Executive Board has regard to the possible impact on clients of the firm and the firm's overall reputation. We provided some 5,500 hours of free technical support to political parties during the year (2008: 1,200 hours).

Designated members

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

Going concern

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

Statement of members' responsibilities in respect of the financial statements

The Companies Act 1985, as applied to Limited Liability Partnerships, requires the members to prepare financial statements for each financial year that give a true and fair view of the state of affairs of both PricewaterhouseCoopers LLP and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the members are required to:

- Select suitable accounting policies and then apply them consistently, subject to any changes disclosed and explained in the financial statements
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 1985, as applied to Limited Liability Partnerships. They are also responsible for safeguarding the assets of the LLP and Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditors

The independent auditors, Horwath Clark Whitehill LLP, will be proposed for reappointment.

On behalf of the Executive Board

Ian Powell

Ian Powell, Chairman
7 August 2009

Independent auditors' report to the members of PricewaterhouseCoopers LLP

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

This report is made solely to the LLP's members, as a body, in accordance with the Companies Act 1985, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters that we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the members and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, as applied to limited liability partnerships. We also report to you if, in our opinion, the LLP has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the LLP's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

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

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP
Chartered Accountants and
Registered Auditors, London

7 August 2009

Consolidated income statement for the year ended 30 June 2009

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

Balance sheets at 30 June 2009

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

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

Ian Powell Keith Tilson

Cash flow statements for the year ended 30 June 2009

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

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

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

1 Accounting policies

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

Basis of preparation

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

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

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

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

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

Future requirements

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

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

Critical accounting estimates and judgements

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

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

1 Accounting policies continued

Consolidation

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

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

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

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

Turnover

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

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

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

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

Property, plant and equipment

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

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

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

Intangible assets

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

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

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

1 Accounting policies continued

Impairment of non-financial assets

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

Leases

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

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

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

Provisions

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

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

Retirement benefits

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

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

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

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

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

1 Accounting policies continued

Termination benefits

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

Members' pensions and annuities

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

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

Allocation of profits and drawings

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

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange at the balance sheet date and the gains and losses on translation are included in the income statement.

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

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

1 Accounting policies continued

Financial instruments

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

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

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

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

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

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

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

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

Financial guarantees

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

Contingent liabilities

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

Taxation

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

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

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

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

2 Segment reporting

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

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

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

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

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

3 Staff costs

Group

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

The average monthly number of employees during the year was:

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

LLP

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

4 Other operating costs

Depreciation, amortisation and impairment

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

4 Other operating costs continued

Other operating charges

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

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

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

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

5 Finance income and expense

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

6 Tax expense in corporate subsidiaries

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

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

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

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

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

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

7 Members' profit shares

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

The average monthly number of members during the year was:

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

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

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

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

8 Property, plant and equipment

Group

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

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

LLP

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

9 Intangible assets and goodwill

Group

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

LLP

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning and end of prior year	**–**	**3**	**3**	**–**
Additions	1	3	4	1
At end of year	**1**	**6**	**7**	**1**
Accumulated amortisation				
At beginning and end of year	**–**	**–**	**–**	**–**
Net book amount at end of prior year	–	3	3	–
Net book amount at end of year	**1**	**6**	**7**	**1**

10 Investments

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

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

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

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

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

11 Trade and other receivables

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

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

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

11 Trade and other receivables continued

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

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

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

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

12 Cash and cash equivalents

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

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

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

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

13 Trade and other payables

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

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

Other current payables including taxation and social security comprise:

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

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

14 Provisions

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

Disclosed as:

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

14 Provisions continued

Annuities

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

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

Client claims provision

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

Property provisions

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

15 Members' capital

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

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

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

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

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

16 Retirement benefits

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

Defined contribution schemes

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

Defined benefit schemes

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

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

Assumptions

The principal actuarial assumptions used were as follows:

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

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

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

16 Retirement benefits continued

Income statement

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

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

Balance sheet

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

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

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

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

16 Retirement benefits continued

Scheme assets

The changes in defined benefit scheme assets were as follows:

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

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

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

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

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

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

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

16 Retirement benefits continued

Defined benefit obligations

The changes in defined benefit obligations were as follows:

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

Actuarial gains and losses

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

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

16 Retirement benefits continued

Sensitivity analysis

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

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

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

Future cash funding

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

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

17 Deferred tax

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

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

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

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

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

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

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

There was no deferred tax arising in the LLP.

18 Total members' interests

Group

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

18 Total members' interests continued

LLP

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

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

19 Commitments under operating leases

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

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

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

20 Financial instruments

Financial risk management

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

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

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

Liquidity risk

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

Credit risk

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

Interest rate risk

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

Foreign currency risk

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

20 Financial instruments continued

Financial assets and liabilities by category

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

Interest rate profile of financial assets and financial liabilities

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

Currency profile of financial assets and liabilities

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

Derivative financial instruments

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

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

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

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

21 Contingent liabilities and financial guarantees

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

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

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

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

22 Reconciliation of profit after tax to operating cash flows

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

23 Subsidiary undertakings

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

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

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

24 Related party transactions

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

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

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

Administrative support to PricewaterhouseCoopers United Kingdom Partnership

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

Key management compensation

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

24 Related party transactions continued

LLP

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

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

25 Acquisitions of subsidiaries

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

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

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

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

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

25 Acquisitions and disposals of subsidiaries continued

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

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

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

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

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

Strength in numbers

More than ever, the key factor that makes PwC the right organisation for clients is the strength of our global Network. As a member of PricewaterhouseCoopers International Limited, the UK firm belongs to a global Network of PwC firms from 153 countries, with a total strength of 155,000 people.

The PwC Network provides member firms with the flexibility to operate as both local and global businesses. Each firm retains the agility to respond quickly and effectively to local market conditions, but enjoys the benefits of the PwC Network's shared resources, methodologies, knowledge and expertise.

Each PwC firm upholds a common set of policies and maintains agreed quality standards. In September 2008, PwC firms around the world endorsed a new PwC Network model, which has allowed our organisation to align its strategy around the world more closely. Quite rightly, clients are the ultimate beneficiaries of the improved effectiveness of this global Network.

Leadership roles

The UK firm plays an important leadership role within the global PwC Network. Ian Powell (Chairman and Senior Partner of the UK firm) has joined Dennis Nally, the new Chairman of the PwC Network, as a member of the five-person Network Leadership Team. UK partners Paul Boorman (Operations), Richard Collier-Keywood (Tax), Moira Elms (People and Culture, Brand and Communications), and Peter Wyman (Public Policy and Regulatory Matters) are all members of the Network Executive Team.

New global chairman

Dennis Nally was elected Chairman of the PwC Network for a four-year term beginning on 1 July 2009, following the retirement of Samuel DiPiazza, Jr.

Dennis has served as the Chairman and Senior Partner of the PwC United States firm since 2002. He joined the US firm of PwC in 1974 and became a partner in 1985.

Thought leadership

The UK firm continues to play a major role in contributing to global research and thought leadership, aiming to provide insight into the key market issues that affect our clients.

- The prestigious **12th Annual Global CEO Survey** which was launched at the World Economic Forum at Davos in January 2009 is just one example (pwc.com/ceosurvey).
- **Paying Taxes**, a joint publication between the World Bank and PwC, examines and compares tax regimes in 181 economies around the world and ranks them according to the ease of paying taxes. (pwc.com/payingtaxes). The Paying Taxes data is produced as part of the World Bank – IFC's Doing Business study (doingbusiness.org).

The UK firm also contributes to the global industries programme, providing thought pieces on the most important issues for the industry sectors we support. These are firmly anchored in the business issues with which our clients are wrestling; visit pwc.com/managingthroughthedownturn for a range of such publications and podcasts including:

- **The day after tomorrow**, a series of perspectives outlining PwC's view on a reshaped global landscape for the financial services industry.
- **Managing IT through the downturn**, helping companies achieve reductions in IT operational costs and discretionary spend, as well as providing the tools and infrastructure to help the business do more with less.
- **Fraud in a downturn**, considering whether fraud and integrity threats

are changing during this period of economic decline and, if so, how.

- **A world beyond recession: Global utilities survey 2009**, looking at the impact of the events of the past year, through the views of senior utility company executives, and ahead at the world that lies beyond the downturn.
- **Automotive Institute Analysis 2008**, providing a unique quarterly perspective on the trends, challenges and growth areas for automotive companies seeking to survive the economic downturn.

Global mobility

A strong mobility programme is vital to delivering the PwC Experience. Our ability to support our clients, wherever they are in the world, relies on our agility. Over the past 12 months, 2,866 partners and staff (2008: 3,228) from PwC member firms in 100 countries (2008: 103) were posted internationally on short and long-term transfers or assignments.

In May 2009, the firm's Global Mobility team won an award for technological innovation in relocation for the second year running.

Charles Macleod, Director of Global Mobility and Resourcing, said: 'International assignments bring our Network to life both for our people and for our clients. The opportunity to work alongside colleagues from around the world, to learn from them and to bring that collective knowledge to bear for the benefit of our clients – that's the PwC Experience.'

PwC recognised for global diversity

Diversity – including gender and ethnicity – is an issue of great significance to PwC. The PwC Network continues to invest in a range of programmes aimed at maintaining an inclusive workforce across the Network.

In the past year, PwC was a proud winner of two global diversity awards:

- **Best Company for Global Diversity** PwC has been named the 2009 'Top Company for Global Diversity' by DiversityInc, a leading publication on diversity in the workplace. DiversityInc selected PwC for its 'deep-rooted commitment to inclusiveness in all its operations worldwide'.
- **Best Global Diversity Initiative** PwC's Gender Advisory Council, whose members are partners from PwC firms around the world, works to improve the representation of PwC women in the workplace, and has won the inaugural 2009 Opportunity Now 'Global Award'. The award recognises an outstanding diversity initiative that extends across at least three countries.

Educating the children of Darfur

In June 2008, PwC firms in collaboration with UNHCR undertook a unique and highly successful fundraising drive called the Power of 10. The purpose: to raise funds from PwC firms' workforce of 155,000, to enable the UNHCR to provide a level of education to Sudanese refugee children in Eastern Chad that was previously unobtainable. £2m was raised, representing the largest single private sector donation ever received by UNHCR.

Working with UNHCR, PwC helped develop a project to support the long-term sustainable educational needs of refugee children. The focus was on developing and taking forward new standards for the education of refugee children. This project is known as Educating the Children of Darfur.

The funds have been targeted to aid four refugee camps located in eastern Chad where, until now, the educational needs of the Darfur refugee children have gone unmet. Use of the funds will focus on building schools, training teachers and providing school supplies to some 30,000 Darfur refugee children aged 6 to 14. Over the long term, the UNHCR plans to work with the Chadian Ministry of Education in order to integrate the refugee schools into Chad's national educational system.

Accountants to the stars

This year saw the 75th anniversary of the Academy of Motion Picture Arts and Sciences and PricewaterhouseCoopers working together.

Since 1934, a select team of 12 partners from PwC (US) has counted the Academy's Oscar ballots, hand-tallying the results and then delivering the sealed envelopes bearing the names of the winners on Oscar Night.

The two partners currently involved, Brad Oltmanns and Rick Rosas, have the dubious honour of being the only two people on the red carpet carrying briefcases. And to avoid the unthinkable, they even memorise the names of all the winners, just in case something should happen to the envelopes before the show.

Despite the secrecy and security it hasn't stopped people trying to find out the winners' names before the announcement at the Oscar® ceremonies. Many stars, from Julia Roberts to Robin Williams, have in jest tried to find out who has won or grab the briefcase prior to the opening of the envelope to reveal the winner.

As part of the tradition, the intentionally low-tech process is designed to maintain the utmost secrecy and it's been at the heart of PwC's relationship with the Academy for 75 years, one of the firm's most high-profile and enduring client relationships.

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