





Chairman	02
Clients	08
People	16
Firm	22
Financial	34
Global	70

# What we do

We provide assurance, tax and advisory services.

Our clients include public and private companies, central and local government, banks and private equity houses, private individuals and not-for-profit organisations.

## Assurance and Regulatory Reporting

Statutory audit, financial accounting, non-financial performance and reporting, regulatory compliance, internal audit, International Financial Reporting Standards (IFRS) readiness and conversions, Sarbanes-Oxley readiness, independent controls and process assurance, assurance on capital market transactions, sustainability.

## Tax

Corporate tax advisory, tax on transactions, transfer pricing, corporate and international tax structuring, finance and treasury, indirect taxes, tax investigations, corporate tax compliance and outsourcing, company administration services, personal tax advisory and compliance, tax valuations.

## Performance Improvement Consulting

Finance and IT effectiveness, revenue enhancement, operational improvement, cost reduction, supply chain, shared services, treasury, project and change management, strategic support, risk management, outsourcing advisory.

## Business Recovery

Corporate insolvency, solutions for discontinued insurance business, personal insolvency, financial restructuring, crisis and stakeholder management, corporate simplification, independent business reviews, interim leadership, optimised exit services, receivables management.

## Transaction Services

Bid support and defence, buy and sell side financial due diligence, commercial and market due diligence, post-deal services, structuring.

## Corporate Finance

Mergers and acquisitions advisory, private equity advisory, initial public offerings, project finance and public private partnerships, public to private, valuations.

## Human Resource Services

Reward and compensation, employment services, retirement, benefits and actuarial, international assignment solutions, HR transaction services, human capital benchmarking, HR strategy and business effectiveness.

## Actuarial

Mergers and acquisitions, capital structuring, financial modelling, insolvencies and run-off solutions, regulatory, risk and capital management, underwriting, claims and reinsurance, insurance reserving and reporting, retirement and benefits, process improvement.

## Forensic Services

Anti-money laundering, capital projects, commercial disputes, forensic technology solutions, investigations, insurance claims, intellectual property, international arbitration, licensing management, securities litigation transaction and shareholder disputes and investigations.

We connect our people, network, experience, industry knowledge and business understanding to build trust and create value for our clients.\*

\*connectedthinking

# How we measure ourselves

Our ambition is to continue to be the UK's leading professional services firm and a key contributor to and beneficiary of the PwC global network.

We are committed to helping our clients, our people and our communities develop and grow.

## Clients

### Leading in each of our chosen markets

Our aim is to be the acknowledged leader in all our chosen markets, both in terms of our work for clients and the values by which we live. Quality and integrity lie at the heart of everything we do, be it in creating, delivering and adding value for our clients or fulfilling our public interest responsibilities through rigorous and independent auditing.

## People

### Being a great place to work

To achieve our goals we need to have the right people. So we seek to attract, recruit and invest in the most capable and innovative people, create an environment in which they can develop their full potential, and nurture their knowledge and experience. We then strive to connect all these attributes and share our collective expertise for the benefit of our clients.

## Firm

### Creating a sustainable business

We are committed to enhancing and protecting our brand and reputation. This not only means communicating openly and transparently both within and beyond our organisation, but also investing in our infrastructure and technology to ensure they continue to support the changing needs of our clients and our people. We recognise our responsibilities to the wider communities in which we operate and to the global PricewaterhouseCoopers network, of which we are an important member.

## Financial

### Maintaining quality earnings

Our aim is to maintain quality earnings which are proportionate to the risks we encounter in our business while also being sufficient to provide adequate resources for investment and reward for all our people.

# How we performed

Our position as market leader was further reinforced in 2005.

We continued to bring real value to our clients, invest in our people, support our local communities, shape our industry, build trust and enhance value.

## Clients

- Record Assurance services growth driven partly by IFRS and Sarbanes-Oxley
- 46% of turnover arose from non-audit clients
- Tax returned to healthy growth
- Independently assessed as most effective firm in middle market
- Performance Improvement Consulting grew 28%

## People

- 95% are proud to work at PwC
- Only 12% of people chose to leave us, the lowest rate on record
- Voted UK's number one graduate employer
- 21% of graduate recruits from ethnic minority backgrounds

## Firm

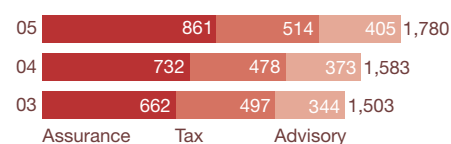
- Awarded top Corporate Responsibility ranking for professional services firms
- 700 staff received funding for their volunteer organisations, a 40% increase
- Highly commended by Business in the Community for Impact on Society
- Major training programmes rolled out to reinforce regulatory compliance
- Chairman re-elected for a second term

## Financial

- Turnover rose over 12% to nearly £1.8bn
- Staff bonuses increased by 42% to £52m
- Average profit per partner up 17% to £620,000
- Strong balance sheet with net assets up 20% to over £0.5bn

All information relates to continuing operations, with prior year financial data restated to conform to the current year presentation (see note 1 to the financial statements).

### Turnover £m



### Partner and staff numbers at 30 June



### Average investment by partners £000



Represents the average personal capital and undistributed profits invested in the business per partner at 30 June.

### Average profit per partner £000



Chairman

# Leadership\*

Teamwork and excellence in all that we do

\*connectedthinking

Kieran Poynter, Chairman  
PricewaterhouseCoopers



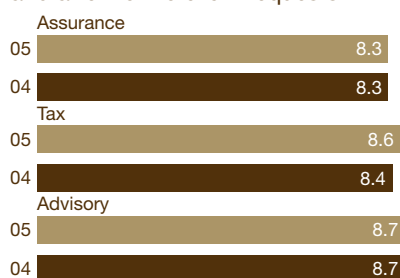




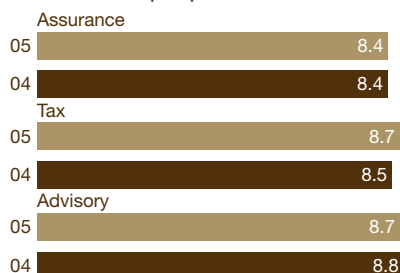


## What our clients think of us

Satisfaction with our responsiveness and attention to client requests



How well our people relate with clients



Source: PwC Client Satisfaction Survey – contains opinions of 3,039 (2004: 2,488) PricewaterhouseCoopers clients rated on a scale of one to ten (where one is low and ten is high)

This has been a year of great achievement and of real progress in all aspects of our business. Leadership in our market place, outstanding growth and continued recognition of our great place to work and corporate responsibility agendas were matched by record financial results. I want to thank all our people for their dedication and hard work that has resulted in this enviable performance.

## Leading in our market place

It is clear that adherence to a simple winning strategy – of leading in each of our chosen markets based on quality and being a great place to work – is paying off. This year more clients came to us for services, drawing on the skills and knowledge of our people, as well as our ability to tap into our network for extensive business understanding, industry knowledge, experience and solutions.

In a buoyant marketplace we performed strongly across the board. The impact of IFRS and, for our SEC clients, Sarbanes-Oxley gave rise to a surge of growth for our Assurance business though this is unlikely to be repeated. This level of assurance activity has had two consequences: the first was that we experienced some resourcing challenges, which we successfully overcame, and the second was that we saw our Assurance revenues increase although our margins did not. Over the past couple of years our Tax business has suffered from changed buying patterns, particularly in respect of US audit clients. I am therefore very pleased with its bounce back to strong growth on the back of a clear market focus which has resulted in significant new client

wins in all our major markets, including large UK and mid cap Plcs, private companies and private clients. Our Performance Improvement Consulting practice showed particularly strong growth. We were recently ranked as the UK's 11th largest consultancy business, with most of those ahead of us in that listing being providers of big ticket IT consulting and outsourcing which are activities in which we have chosen not to engage.

We expanded our presence in the middle market, which is the largest sector in the UK economy and in our client base. We invested in our regional offices and services and reinforced our commitment to this sector through a national advertising campaign which introduced many more potential clients to our services.

The public sector remains an important and growing part of our business, accounting for some 9% of turnover. In the past year we have assisted our clients to achieve greater efficiency in meeting government targets and rising consumer expectations for consistency of service delivery and more choice.

## Great place to work

As I have said in the past, it is clear to me that the long-term sustainable success of PricewaterhouseCoopers will be delivered only by making this a great place to work for all our people. This in turn will deliver differential quality to everything we do in the marketplace.

Our overriding focus on our people has meant that we can continue to recruit the very best graduates and experienced professionals. We continue to be employer



# Enhancing value for our clients, people and the community

of choice for talented individuals from a variety of backgrounds.

We have created an environment where people get tremendous training and development opportunities. Of course, we have to ensure this continues and we will be investing heavily in the coming years to keep our training and development programmes at the leading edge.

This is not just rhetoric. We try to ensure our behaviour matches our policies by regularly asking our people to tell us how we are doing. In our most recent survey 87% of our people said they believe our firm is serious about making PwC a great place to work, 95% were proud to work here and 86% would recommend a friend to join us. These are remarkable results by any measure. Although proud of this achievement, we are conscious of the continuing effort needed by everyone in order to sustain it.

I reported last year that we were making some progress on work/life balance. This is a big issue for a busy professional services firm such as ours and we have made further progress this year. However, we know from our surveys that we haven't got it totally right yet and we will continue to find ways of being more flexible.

We also made progress in our ambition to increase diversity in our firm. This remains a priority not simply because it is the right thing to do, but because it makes sound business sense to maximise innovation by harnessing diverse talents.

There has been a hot market over the last year for those with the quality and skills

our people exhibit. Accordingly the acid test of our people policies is staff turnover. We are pleased therefore to see that our staff turnover has reduced to record low levels this year as more people choose to stay and make their career with us.

## Corporate responsibility

We recognise and embrace our obligations to enhance value not only for our clients, our partners and our people but also for our other stakeholders: those in the communities where we work and live.

I am pleased to report increasing interest amongst our people in actively engaging in community activities, with strong support from the firm as we continue our long-standing commitment to improving our impact on the environment and the local communities surrounding our offices.

We also support the wider business community by providing skilled individuals and leadership to many professional and business organisations.

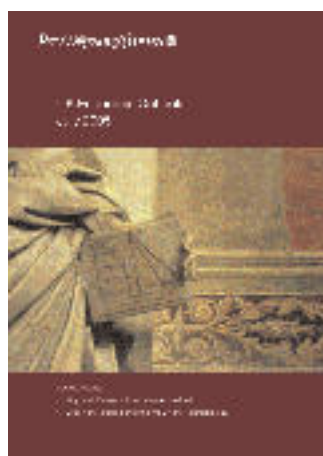
Whilst our commitment is not new, we received external recognition of our approach to corporate responsibility by being ranked 5th in the 2004 Business in the Community Corporate Responsibility Index.

## Building Public Trust

We continue with our campaign to improve the quality of public reporting by telling it how it is. This culminates in our annual *Building Public Trust Awards*. This event has established itself as the showcase for organisations committed to transparency in their corporate reporting.



PwC team receiving Highly commended for our Impact on Society Award at the Business in the Community Awards for excellence



UK Economic Outlook is produced by the PricewaterhouseCoopers Macroeconomics Unit, which provides advice on the implications of macro-economic trends and economic policy developments

In audit, as in everything we do, our commitment to quality and integrity is paramount. We will work with preparers and users of accounts, as well as with standard setters and regulators, to ensure that the financial reporting model is providing reliable and relevant information to the market. This information, properly audited, will give the necessary confidence to the UK capital market, for the good of all.

## Regulation

Last year I welcomed the UK government's measured response to regulatory reform and the introduction of independent regulation of the auditing profession through the Financial Reporting Council. While it is too early to judge the success of the new regime we welcome anything that improves audit quality.

In common with all other businesses we have to comply with a welter of regulation and I believe the UK's competitiveness would be improved by reducing the regulatory burden generally.

## Liability reform

It is essential that we have an appropriate legal and regulatory environment if we are to be able to audit those companies which, for whatever reason, place us at significant risk. Significant risk arises for auditors from the sheer scale of some enterprises, from the risk characteristics of their business or from their choice to expose themselves, and thus their auditors, to hostile litigation environments such as the USA. We recognise that it is these very companies which the public interest and the capital markets require to be

subject to robust, independent audit. Auditing companies that represent significant risk is an unsustainable long-term proposition in the present legal liability environment.

The case for liability reform to protect auditors of large enterprises is thus both urgent and overwhelming. Put simply, none of the audit firms, including us as the largest, has the financial resources to cope with massive negligence claims nor can we insure against the risk of such claims. There is no argument against reform which I have seen that stands up to analysis.

Against this background, we therefore welcome the UK government's decision to legislate to allow auditors and their clients to agree proportionate liability by contract subject to shareholder approval. However, this is not enough. A liability cap for those that audit the largest enterprises to protect against catastrophic claims must be part of the solution. Accordingly, I welcome the emerging view in Europe that the Commission should be encouraged to bring forward reform proposals next year and I hope that the UK government will support this. I also hope that the reform will be enacted before one or more of the large firms is driven out of business or chooses to withdraw from the top end of the audit market.

## Financial performance

Our financial results demonstrate that our strategy is working. Turnover at £1.8 billion was up by 12% compared with an increase of 5% in the previous year, with all parts of the business performing strongly in their respective markets.

# Our strategy is working



Our newly admitted partners for 2005 pictured here with Kieran Poynter and our partner development team

We continued to retain tight control over costs, whilst suffering sharp rises from the increasing burden of regulation.

We also continued to invest in recruiting and training talented people to handle the growth in the business, in particular in Performance Improvement Consulting and the spike in activity arising from the demands of IFRS and Sarbanes-Oxley.

Profit available for distribution to members was up 17% at £468m. Average distributable profit per member also rose by 17% to £620,000, compared with £531,000 in 2004.

This profit was struck after bonuses to staff totalling £52m, up 42% on the year before.

## Looking ahead

In common with many commentators, I think we may see a modest reduction in the rate of growth in the UK economy during 2006. However, the economic climate is still one in which I believe we can thrive. There are real opportunities for us to continue to help our clients, develop our people and to achieve sustainable, profitable growth.

I look forward with confidence to the year ahead.

Kieran Poynter, Chairman

kieran.c.poynter@uk.pwc.com  
12 August 2005

Clients

# Value\*

Exceeding our clients' expectations

\*connectedthinking



Our Wincanton clients  
Nigel Sullivan and Nicci Evans  
working with Mark Ellis,  
Paul Heal and Ritchie Tout







The firm has enjoyed strong real growth this year. Business conditions continued to be favourable and although part of our success was driven by the increasingly complex regulatory environment, sustained revenue growth from non-audit clients was also a major contributor.

Growth was particularly strong in Assurance services due partly to the impact of IFRS and Sarbanes-Oxley, in Performance Improvement Consulting and in the South East and Scotland. Tax services recovered to good growth rates in all but the inbound corporate sector. In the public sector, high growth rates in the early part of the financial year slowed down considerably in the run-up to the General Election. Non-audit services to audit clients returned to limited growth following a period of adjustment due to changes in the buying patterns of some clients in response to regulation.

All parts of the business are now performing strongly in their respective marketplaces. Next year some of this year's Sarbanes-Oxley s404 and IFRS work will not recur and the high growth rates from non-audit clients are likely to slow. Whilst we still expect our business to perform well, we expect a reduction in our growth rate in the coming financial year.

The strength of the PwC brand continues to stand us in good stead in the marketplace. We express what we stand for by the phrase *Connected Thinking* which describes the way we work and the type of experience we believe our clients should expect when we work with them. We also see an inextricable link

between our strategy of being a great place to work and market success.

We monitor client satisfaction and, against our overall target score of eight out of ten, the average score from the 3,039 (2004: 2,488) client satisfaction returns received was 8.2 (2004: 8.2).

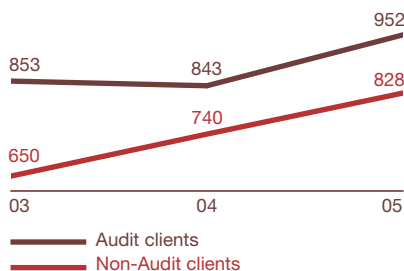
Our clients, regulators, government and the general public continue rightly to expect that we will uphold the highest values of integrity and ethics in the way we run our own business, and in the advice we provide. In turn we encourage organisations to enhance their reporting to their stakeholders. Our annual *Building Public Trust Awards* celebrate those organisations, in both the private and public sector, who demonstrate a real commitment towards transparency in their corporate reporting. We also sponsor the annual CIPFA Public Reporting and Accountability Awards. During the last year, we extended our focus to the economic contribution companies make to society through taxation and for the first time our firm's Total Tax Contribution is included in the Financial section of this annual report.

## Expanding our presence in the middle market

Middle market companies remain the largest single component of our client base. Our regional practices had another very strong year, largely as a result of sustained and focused investment. We saw good growth across all regions with the South East and Scotland delivering particularly strong results.

### Service analysis

Turnover £m



# Strong demand for our services

A national advertising campaign reinforced our commitment to the middle market sector and our sponsorship of *The Sunday Times Profit Track 100*, *Tech Track 100* and *Fast Track 100* (now in its eighth year) confirmed our long-term commitment to entrepreneurial companies. Independent market research supports our experience around the country that we are now perceived to be the most effective accountancy firm in the middle market, a position which is consistent with our leading market share.

## Providing our industry expertise

Our clients tell us that our extensive industry knowledge is one of our most valuable assets. This advantage is facilitated by our size and we continued to invest in our specialist industry teams, knowledge networks and research.

Consolidation and other pressures within the retail industry drove advisory and transactions related revenues. Demand from the technology sector continued to pick up. Within the information and communications sector, work resulting from Sarbanes-Oxley and IFRS was a significant contributor to increased revenues.

In financial services all sectors performed well. The banking and capital markets and insurance sectors benefited from our clients' need for assistance with regulatory compliance, including Basel II. The year also marked the 10th anniversary of our London Insurance Club.

## Helping to improve public services

Our public sector clients at central, regional and local levels face pressure to achieve increased efficiency and meet demands for greater consistency of service delivery and more choice. We helped them to address such challenges across sectors as diverse as health, education, transport, home affairs, criminal justice, local government, housing, social welfare, defence and international development.

We worked with the Department of Work & Pensions on an employer-led initiative, 'Fair Cities', designed to help people disadvantaged in the labour market by strengthening the connection between local jobs and the skills and training system. We advised the Pension Regulator on the new clearance procedures for the pension implications of corporate transactions and we reviewed the salary structure of the UK judiciary on behalf of the Senior Salaries Review Body.

We carried out extensive work on the Department for Education and Skills (DfES) Behaviour Improvement Programme. An independent review by the National Audit Office (NAO) showed that pupil attendance at the schools in the 60 local authority areas in this programme improved at around twice the rates of reduction in the national averages.

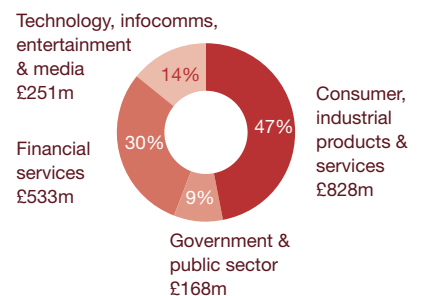
Within the health sector, we helped more than 20 hospitals considering the transition to Foundation Trust status.



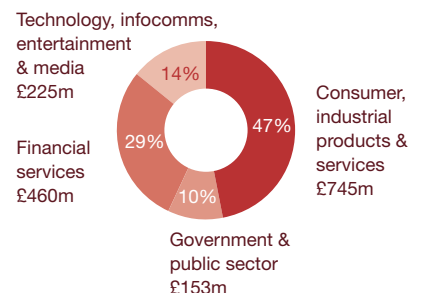
Tina Hallet, public sector tax leader, at our flagship Government Forum for clients

## Industry analysis

2005 Turnover £1,780m



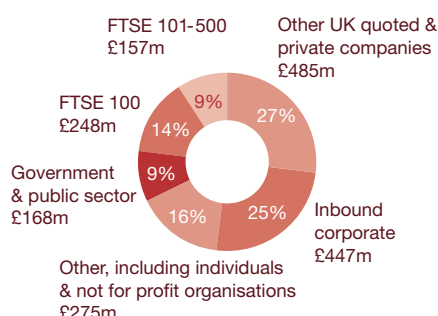
2004 Turnover £1,583m



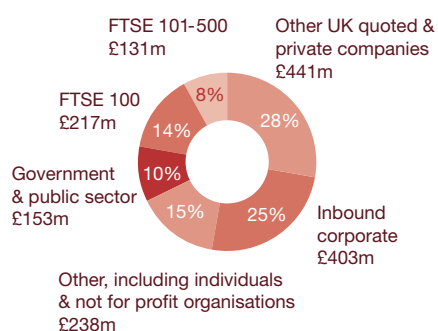


## Client analysis

2005 Turnover £1,780m



2004 Turnover £1,583m



We are the largest private sector provider of assurance services to the public sector. Working closely with the Audit Commission, Audit Scotland and the NAO, we support the public sector's drive for improved governance, financial management, value for money and accountability.

## Assurance services rise to the reporting challenge

IFRS and Sarbanes-Oxley dominated the reporting and regulatory landscape for many of our larger clients. Our efforts to support clients in response to these challenges were a particular feature of a very successful year, with Assurance services' turnover up 19%. Assignments included IFRS work for Aviva, Cable & Wireless and Sarbanes-Oxley compliance projects for Microsoft UK.

The increase in our turnover was accompanied by some decline in margins on audit work. Increased regulatory costs and risk have not yet been fully reflected in audit price increases.

Delivering service of the highest quality enabled us to maintain our audit position within the FTSE 100 with a market share of 42% (2004: 42%) at the end of the year. Our continued focus on fast growing medium sized companies has also been successful. We audit 33% (2004: 34%) of the top 100 largest privately owned UK companies.

We have assisted many of our clients in starting to deal with the challenges of the new Operating and Financial Review (OFR) Reporting Standard. As a

committed supporter of reporting transparency, we believe that the OFR represents an opportunity to make a step change in this area.

Our clients are increasingly seeking support in helping them to identify, measure and mitigate a wide range of business risks and achieve assurance on their processes. Our Risk Assurance Services business has continued to grow the range and volume of services offered, acting for many FTSE 100 companies during the year in the areas of risk management, internal audit and internal controls.

## Tax returns to growth

Our strategy is to help our clients to comply with tax law, manage their tax risk and add value to their businesses. Tax services returned to growth of 8% due to a strong focus on our chosen markets, an improved economy, and a more settled regulatory environment. We also have a large and thriving private client practice and our work for the UK subsidiaries of overseas groups, particularly from the USA, has now stabilised after losses of revenue as a consequence of changing overseas regulations.

Our tax services not only comply with UK tax avoidance disclosure rules but also with our global network Tax Practice Code of Conduct. The latter sets out the principles that the PwC network applies consistently in providing tax services across the world. We also input to many consultations with government with the aim of simplifying and improving UK tax law.

The size of the PwC global network of firms gives us unparalleled access to over 22,500 tax professionals from over 140 countries, helping our clients comply with local and international rules and adding value to their businesses. We invest in specialisms and in sharing knowledge for the benefit of our clients. Our strengths have been recognised during the year – our Tax Knowledge and Innovation team won *Best Big Four Tax Team* at the 2005 LexisNexis Tax Awards and we were awarded both UK and European *Transfer Pricing Firm of the Year* by the International Tax Review.

Technology continues to help us assist our clients manage their tax affairs. Examples include automated VAT returns, our global corporate tax compliance system, online collaborative workrooms and shareTax, a cross-border online service allowing companies to calculate their tax and social security withholding obligations for their employees' incentive plans across nine countries and 11 US states.

## Accelerated growth in Performance Improvement Consulting

Our Performance Improvement Consulting practice (PIC) won market share, achieving turnover growth of over 28% during the year. The services provided by PIC and other areas of the firm that are defined as consultancy by the Management Consultancies Association led to us being ranked as the UK's 11th largest consultancy practice. We expanded rapidly in both the private and public sectors; providing support to private and listed companies to reduce costs, improve

efficiency and implement effective change, as well as assisting government agencies with their modernisation and efficiency agendas.

In addition to investing in key specialist talent, we continued our successful strategy of building our consulting capability across key industries focused on finance, people, operations and areas of technology, strategy and policy.

We place heavy emphasis on sustainable business improvements, working collaboratively with our clients to turn our business and technical insights into practical, measurable solutions for them.

Integrating our consulting, tax, corporate finance and transaction skills we have put particular focus on helping businesses with their outsourcing activities, from structuring the outsourcing transaction, through implementation of the service level monitoring programme to the smooth transition to the third party provider.

## Business Recovery Services maintains its lead

We are the UK's largest provider of business recovery and insolvency services with over 850 specialist partners and staff. It is a counter-cyclical business, yet despite the benign economic conditions, continued investment in our practice has enabled it to sustain strong activity levels with turnover only declining by 6% during the year. We have further strengthened all aspects of our business and continue to diversify our service range whilst retaining our core focus on providing solutions to troubled financial situations.



Steve Hasson, collects prizes for UK and European *Transfer Pricing* firm of the Year at the International Tax Review European Awards dinner



## Our middle market national advertising campaign



We launched the UK Deal Confidence Survey to track the views of FTSE 350 and large private companies on their deal strategy, the growing influence of private equity and the outlook for M&A



Our IFRS illustrative financial statements publication

The administration of MG Rover Group was our largest assignment of the year, drawing on the firm's expertise in the automotive sector, other specialist expertise and our strong regional and international networks. Other major assignments included Shotton Combined Heat & Power Limited, Exeter Fund Managers Limited, Benson Group and Parkside Group.

## Rising activity in Transaction Services

The mergers and acquisition market started slowly but picked up during the year. This was driven in particular by secondary activity amongst Private Equity Houses and a very strong debt market. Against this backdrop, Transaction Services performed well in both the Corporate and Private Equity Markets with overall turnover growth of 9%.

In the corporate sector we worked on Barclays' acquisition of South African Bank, ABSA, and Aviva's acquisition of RAC. The year was equally successful on the private equity side and included the acquisition of Amadeus Global Travel Distribution by BC Partners and Cinven, one of the largest European private equity deals this year, Charterhouse's purchase of SAGA and the sale to Terra Firma of Odeon Cinemas and UCI by WestLB and Vivendi/Viacom respectively. We also advised on the sale of LEGOLAND Parks to Blackstone Group. In the healthcare sector we advised on the purchase of NHP Plc, Westminster, Covenant Healthcare, Southern Cross and BetterCare.

## An award-winning year for Corporate Finance

Corporate Finance grew 14%, winning market share in a relatively flat market. High profile transactions included advising the shareholders of Paradise Poker on its sale to Sportingbet Plc for an initial consideration of US\$297.5m (£161.9m), and advising the management team of Maplin Electronics on its £244m secondary buy-out, Acquisitions Monthly's Mid-market *Deal of the Year*. Acquisitions Monthly also awarded us *Mid-market Adviser of the Year*.

We advised on the complexities involved in transactions at the public/private interface, acting for example, as financial adviser to the private sector in the Leeds Hospital scheme – the *EMEA PPP Deal of the Year*. We broadened our Public Private Partnership advice into housing and regeneration and extended our public sector strategy and policy services. A series of major transactions worldwide saw us awarded *PFI Global Adviser of the Year* by Thomson Financial.

Our Valuation & Strategy business showed solid growth as clients made increasing demands for valuation, regulatory, competition-related economics and strategy advice. We advised on all these aspects for Romtelecom, Romania's largest telecommunications operator. We expanded our activity in the Entertainment and Media, Telecommunications, Aerospace and public sectors. In addition, the impact of IFRS on transactions continued to generate demand for our valuation services.

# Providing clients with deep expertise

## Addressing HR challenges

It has been an encouraging year for Human Resource Services with 8% growth. This was fuelled by the increasingly complex regulatory environment together with market recognition of the need to build sustained human capital value. The corporate transactions market also created increased demand for HR related services and HR transactions support. Pensions changes affecting both benefit design and future management of costs drove significant growth in the pensions advisory market.

We were actively involved in the debate surrounding HR risk issues and how businesses derive the greatest value from their people. Companies increasingly expect to be able to value their HR effectiveness and we provide a portfolio of services to help them, including HR benchmarking data from one of the world's largest databases of HR metrics, Saratoga, which is part of the PwC network.

## Wider scope for Actuarial Services

Although turnover from specific actuarial assignments was flat, there was increased demand for actuarial input to broader Assurance, Tax, Transactions, Business Recovery and Corporate Finance assignments. We are one of the UK's largest providers of actuarial services to the insurance sector and the fourth largest actuarial consultancy in the country. We continue to advise on a variety of schemes of arrangement, support the liquidators of Independent

Insurance and provide actuarial advice to major deals. Actuarial consultancy to employers and trustees of pension schemes was particularly active in the light of proposed new tax rules and the approach taken by the new regulator to provide greater security to pensions.

Significant new work resulted from the recently introduced FSA regulatory capital regime.

## Changing market for Forensic Services

We focused increasingly on our proactive services such as Licensing Management, Capital Project reviews and pre-deal sale and purchase reviews. However, the absence of major corporate investigations and a reduction in high court litigation led to a 6% reduction in turnover.

With over 90% of all business records now electronic, our proprietary technology tools and forensic laboratories around the world are increasingly winning assignments where enormous amounts of both electronic and hard copy information need to be analysed and processed robustly.

The past year saw a growing recognition of financial crime as a boardroom issue, boosted by changes in the regulatory environment and the increasing burden of responsibility on company directors. We helped to resolve an increasing number of disputes arising from large scale IT projects and saw notable growth in our work with the public sector, particularly demand for fraud risk management services.



"I found the OFR Preparers' Guide very helpful. It is written in plain English, practical and pragmatic." Philip Broadley, Financial Director, Prudential plc



PwC sponsors the CIPFA Public Reporting and Accountability Awards to recognise and promote best practice in the public sector

People

# Great\*

Making PwC a great place to work

\*connectedthinking



Craig Atkinson,  
Martin McEwen,  
Catriona Lynch and  
Joanne O'Donnell  
in the breakout area  
at our newly  
refurbished  
Edinburgh office



perspective

network





## I am proud to be associated with PwC



Source: ISR survey and YouMatter

- (1) Contains the opinions of more than 68,000 employees across the globe.
- (2) Contains the opinions of more than 129,465 employees from multiple industries across the UK.



Our strong recruitment brand on university campuses and award-winning *One. For All.* campaign meant that many of the best students applied to us earlier in the year, giving us a head start over our competitors in the race for graduate talent

Over this last year we have focused on increasing our engagement with our people and this effort has paid dividends.

We have had unparalleled success in recruiting the best people from a wide range of sources. We achieved the highest acceptance rate of graduate job offers of any of the Big Four firms in the UK. We continue to lead at UK universities as the employer of choice, a position we have strengthened still further by winning a number of industry awards for innovation and the promotion of diversity in recruitment.

We strive to improve our working environment and the opportunities open to our people, and to provide the tools to manage their own development and progress. These efforts have borne further fruit this year.

Our quarterly staff survey, *YouMatter*, continues to gain momentum, both in terms of the numbers of people taking the time to give us their feedback and the way the information generated is used actively as a basis for improvements.

This year 95% of respondents told us again that they are proud to work at PricewaterhouseCoopers, and our annualised voluntary leaving rate at 12%, was our lowest on record.

## Attracting and recruiting the very best

Our recruiting efforts are fundamental to the firm's continued success. Each working day, we receive over 200 applications. We select the best of these,

recruiting 1,400 experienced joiners and over 1,000 students into a wide variety of roles over the year.

Strong investment in technology and the development of our website have established us as a pioneer in online recruitment. Visitors to our careers website peaked at 123,000 in November 2004, with a total of over one million visitors coming to the site during the year.

Our schools recruitment team ran 300 events, recruiting 160 school leavers into our various programmes. More than 50% of university students were aware of PwC by the time they left school, demonstrating our brand awareness stands comparison with household consumer brands.

For the second year running, we were voted the UK's number one graduate employer in *The Times Top 100 Graduate Employers/High Fliers* annual survey. PwC was also voted, for the first time, the *Ideal No.1 Employer* by business students in the annual Universum student survey.

This year 21% of our graduate recruits were from ethnic minority backgrounds whereas only 13% of graduates were from such minority backgrounds. The level of female graduate recruitment is however of concern. At 38% it reflects the proportionate level of female applications that we receive, but is well below our experience of the last two decades, which was close to an equal intake of male and female graduates. We understand that our experience is similar to many financial institutions and the other major accounting firms. We are investigating the reasons for this as we



# Encouraging people to achieve their full potential

are keen to see a return to a more even flow of male and female graduate applications in the future. We believe that we offer interesting and varied opportunities for both women and men and the work/life flexibility we provide is designed to appeal to all.

We were privileged to be involved from the outset of a graduate placement scheme *Fast Track* with Scope, the country's leading disability charity. The scheme provides work experience for graduates with disabilities as a precursor to potential full-time employment.

We have already recruited two high calibre graduates through this scheme and are now working towards increasing that number. This is an exciting scheme, enabling us to learn more about the difficulties faced by talented disabled graduates and how we can take positive actions to support them in their careers.

Applications from experienced people reached a new high of 44,100, including a wide range of qualified client-facing personnel, as well as specialist professionals to support our firm's operational infrastructure.

Our award winning Employee Referral Scheme had its most successful year to date, with some 13% of all our new recruits being introduced to us by PwC people.

## Learning and development

Our aim is to provide an environment that encourages people to achieve their full potential. We believe that, given the right tools and the freedom to explore all the options available, people will take an

entrepreneurial approach to develop new skills and challenge themselves to find new opportunities. This year, we invested over £39m direct cash costs in learning and development activities.

We make formal learning opportunities available through every possible channel, including e-learning tools and virtual classroom learning that allows access to learning whenever and wherever our people want it. E-learning, which accounts for a growing proportion of our overall training, is offered via our intranet in subjects ranging from diversity and equality to technical and management skills. More traditional methods such as classroom training, workshops, one-to-one coaching and mentoring all continue to play a vital role.

We continue to champion the Global Mobility programme, which manages international assignments throughout our global network. At the end of the financial year there were 543 international assignees from 70 countries working with us in the UK and 360 UK partners and staff on international assignments in 36 other territories. During the year, we also launched a new international job postings website in order to publicise assignment opportunities within our global network. At the end of the year, there were some 1,100 international opportunities within the PwC network advertised on the website.

Opportunities to develop are also created through a number of PwC initiatives such as Ulysses, the PwC network's leadership development programme for future leaders, Genesis Park, the PwC network's innovation centre, based in Washington DC and Voluntary Services

PwC moved up from Bronze to Silver status in this year's Race for Opportunity benchmarking, achieving a score of 77%, well above the professional services sector's average of 53%. In the Target National Graduate Recruitment Awards, we won the Association of Graduate Careers Advisory Services Award for the most outstanding contribution to diversity in graduate recruitment, following a poll of university careers advisers across the UK.

A key part of developing our people is making it easy for them to find out about the wide range of internal career opportunities. Our internal job postings website, InsideTrack, received 3,000 visits each month during the year, and 1,100 of our people applied for career moves within the firm.

Our continuing associations with world-class external providers, including London Business School, Ashridge Business School and Cranfield University, help us to deliver the highest quality training solutions for our people.

Overseas placements through our business partnership scheme.

This year we launched a new initiative targeted at enhancing the careers and development of those engaged in secretarial and administrative work. This includes the appointment of a senior leader for the community, supported by a small team who will focus on meeting the development needs and aspirations of our secretaries and PAs.

During the year we encouraged managers to do more in terms of formal performance appraisal in their teams. We held workshops in advance of this year's appraisals to coach managers in what is expected of them and the importance of the process.

PwC has received numerous awards over the last year with recent achievements including being a finalist in the National Business Awards *Investors in People* Award for Excellence in People Development.

## Partner and director development

Our partner leadership programme has continued to be in great demand. During the year this programme won an award as the Best HR Initiative at the European Practice Management Awards. Following the growing success of the programme we have extended it to cover all directors in the firm. Already courses such as *Partner Survival*, *Running the rest of your life* and *Consulting with the Board* have been extended to our directors.

A key element of our development programmes is to equip partners and directors to handle the leadership challenges that come from changes in their roles. These role changes are also supported through an active coaching and mentoring programme and a focus on providing feedback on performance so that partners and directors feel stretched and able to maximise their potential.

With the continuing growth and expanding opportunities for our business we have nearly doubled the number of new partners admitted this year. The majority of these new partners are from within and we are continuing to actively promote the value of partnership to directors and managers through our *Aspire* programme. We are also actively recruiting proven direct entry expert partners.

## Alumni

PwC's UK alumni programme has a long history and we continue to build a strong alumni network. Former employees of the firm, and our legacy firms, are eligible to join and, to date, over 20,000 UK alumni participate in the programme.

Members benefit from access to a wide alumni network, our bi-annual newsletter, information on our wide range of services and expertise, direct contact with the firm's experts and advisers, and invitations to our alumni and firmwide events.

## Recognising and rewarding achievements

We remain committed to providing a competitive reward package. We believe



Over 20,000 alumni receive our *Keeping in touch* newsletter

# Making us more innovative and vibrant

that reward should reflect the market rate for the role, as well as performance of individuals and that of the business. We aim to improve the range of benefits on offer in our flexible benefits package, *Choices*, to help each person find a selection which best suits their unique personal circumstances.

Innovations during the year include a new Recognition Toolkit, designed to support business leaders in recognising and celebrating success in their teams. As a firm, PwC is also keen to recognise the achievements of its people outside the work environment, through their willingness to devote their own time and energy to help their communities.

## Diversity

The diversity of our colleagues makes for a richer, more innovative business culture. This in turn gives us the opportunity to create more imaginative solutions for our clients, and build competitive advantage in the marketplace. We also see diversity as being at the very heart of effective talent management. This means we need to attract and retain the best talent from the widest possible pool, so that we can develop a better understanding of, and greater responsiveness to, our increasingly diverse clients and markets.

We have improved awareness and understanding of diversity. Through e-learning, everyone in PwC undertook a course to help them reach a better understanding of diversity, the issues it raises and their responsibilities in creating an inclusive environment.

Our networks are an integral part of the fabric of the firm; PwCWomen, Ethnic Forum, religious networks and GALE meet regularly. We were the first professional services firm to become a Stonewall Diversity Champion, and we achieved 17th position in its Top 100 Employer Index.

On age diversity, we sponsored the Age at Work study by the Employers' Forum on Age. This report, which analyses the experiences and aspirations of the UK's workforce by age group, is helping employers and policymakers to motivate, support and develop people of all ages.

We have also worked with Cranfield University's Centre for the Development of Women Business Leaders, following the launch of its Female FTSE Index in 2004, on a programme to increase the number of female executive and non-executive directors in FTSE 100 businesses. The programme – *Women Directors on Boards* – includes a women's mentoring programme involving the Chairs and CEOs of over 20 FTSE 100 organisations, and a cross-corporate network of the women involved.



Moir Elms, Head of Human Capital, presenting at a recent PwCWomen event

## I believe that PwC is committed to becoming a great place to work



Source: YouMatter

Firm

# Responsible\*

Recognising our wider responsibilities

\*connectedthinking



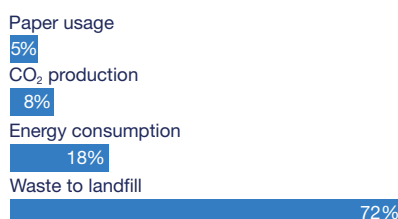
Volunteers from across the firm  
working together for the wider  
community in New Lanark, Scotland







#### Reduction in our resource consumption per head



#### Total reductions

CO <sub>2</sub> production saved through use of Telesuite	294 tonnes
Reduction in waste to landfill	640 tonnes
Glass bottles saved through onsite bottling	115,000

Corporate responsibility and sustainability are not separate departments within PwC, but an integral part of our business. We are committed to having a positive impact on the people and world around us and to work with integrity and responsibility in everything we do.

### Corporate responsibility performance

We group our corporate responsibility activities into the four main areas of workplace, marketplace, environment and community.

We actively monitor and measure our corporate responsibility performance and we take part in the annual Business in the Community (BitC) Corporate Responsibility Survey. We were proud to be ranked equal 5th this year, and to be the only professional services firm in the top 50.

We were also highly commended for our impact on society at the BitC Awards for Excellence 2005.

### Creating a better workplace

In the People section of this report we comment on our strategy to make PwC a great place to work for all our people. We have highlighted a range of matters designed to create a better environment for our people, including our *YouMatter* surveys, training and development, inclusiveness and diversity and disability access. We are always ready to help our people. In addition to career counselling,

coaching and mentoring, we have an established code of conduct and confidential grievance and ethical guidance procedures, including our whistle-blowing helpline.

### Encouraging responsibility in the marketplace

Our values and behaviour in the marketplace are based on succeeding through integrity. We regularly review our performance through a number of surveys, including our client satisfaction programme. Brand recognition surveys underline our reputation for ethical behaviour. We have strong systems in place to ensure that we comply with the regulations that govern our business. In the Client section of this report we comment on our involvement in public policy, including leadership through the *Building Public Trust* awards and the range of services provided to the public and education sectors, including performance improvement advice and thought leadership.

With our suppliers, we have embedded corporate responsibility practices into our procurement processes, including specifically reviewing potential suppliers' corporate responsibility performance. We also work closely with our suppliers to improve levels of corporate responsibility throughout our supply chain. Over 80% of our major suppliers currently have visible corporate responsibility policies and we are encouraging all our major suppliers to follow suit.



# Commended for our impact on society

## Safeguarding the future environment

We are committed to minimising our direct impact on the environment. We report our performance against a comprehensive set of targets on our website. In addition to our performance in the BitC Corporate Responsibility Index, we also scored highly in the Environment Index. We scored over 93% and were ranked 26th overall, 3rd in our designated sector of Support Services.

Our Green Fleet initiative, involving carbon neutral cars, hybrid fuelled cars, and advice on reducing emissions, was cited as a major factor in our winning the *Most effective company car strategy* at the Employee Benefits awards 2005.

When we won this award the judges were particularly impressed by our Carbon Neutral Environmental Initiative, under which our people can elect to pay for trees to be planted in order to make their company vehicle carbon neutral. To date 3,500 trees have been planted through the scheme on the Isle of Bute in Scotland.

We also have an industry-leading agreement with our preferred hire car supplier, Hertz, for all of our bookings to be carbon neutral. And we encourage our people to cycle to work, including providing showers and secure bicycle storage facilities in many locations. Video- and tele-conferencing are being promoted as an alternative to business travel, and we have installed new facilities in ten UK locations.

We have continued last year's reduction in waste-to-landfill, through a continued focus on our comprehensive recycling programme. We have also cut our glass waste by re-using bottles in our on-site bottling facility. Our growing use of networked devices, instead of multiple local printers, enables greater use of double-sided printing and copying, so helping the environment by both reducing our paper usage and also our energy consumption.

Energy to power our offices is our largest producer of greenhouse gas emissions, with electricity alone accounting for more CO<sub>2</sub> production than our total travel mileage. This year we have put in place arrangements to source green (zero CO<sub>2</sub>) electricity for all offices where we control the supply. This will significantly reduce our future CO<sub>2</sub> production. We are also achieving savings in energy consumption through improved monitoring and management. For new offices we ensure that our buildings are designed with energy efficiency in mind.

## Corporate responsibility in our communities

Our Community Affairs programme encompasses a broad range of corporate strategic partnerships, local initiatives which provide opportunities for staff involvement and skills development.

We aim to match our skills and resources to the needs of our community partners. This enables us to share new perspectives while simultaneously offering our people opportunities to

Business in the Community has judged us as *outstanding* performers in four key areas:

**Corporate Strategy** – which assesses how closely responsible values and principles drive our business strategy

**Integration** – which assesses how well these values are incorporated into our operations

**Marketplace Management** – which assesses how responsibly we manage and sell our services and treat our suppliers

**Workplace Management** – which assesses how well we live up to our strategy of being a great place to work.





PwC and British Airways volunteers advise students from the Hayes Manor School, Uxbridge, as part of the numeracy-based learning project Euro Traveller Challenge



Schoolchildren and our people taking part in the *Fit 4 Fun* 2005 event coordinated by Birmingham Cares

extend their skills. It also helps our people to make more enlightened business decisions based on the additional insight they gain from first-hand involvement with the wider community.

We have continued to focus our efforts and resources on benefiting disadvantaged communities and young people. We support activities to help raise levels of educational achievement and develop employability and citizenship skills.

## Increasing involvement with our local communities

Over the course of a number of years we have developed a strong working knowledge of our local communities. This knowledge, combined with extensive local networking, has enabled us to become recognised as being part of, and integrated with, the local communities around our offices throughout the UK.

We have continued to nurture and grow our relationships with our national and local community partners. Two of our key developments this year are described below.

We have a three-year agreement with Volunteer Reading Help (VRH) to help encourage and support children who find reading a challenge. As well as providing core financial and in-kind support, we have now met our first-year target of having 100 people trained by VRH. They are now actively helping primary schoolchildren in schools close to our offices in Birmingham, London (Southwark, Westminster and Islington), Manchester, Southampton and Gatwick. We are

on schedule to meet our target of training 300 volunteers by March 2007.

We have developed an innovative numeracy-based learning project in partnership with British Airways and the Hillingdon Education Business Partnership. Key Stage 3 children from two schools local to our Uxbridge office were given a business challenge to solve. Volunteers from both organisations enabled 350 pupils to benefit from the programme to enhance their key skills. The programme formed part of the DfES London Challenge. It has also received a Hillingdon Business Forum Corporate Responsibility award. In view of its success, we are planning to develop this programme further with schools local to our East Midlands and Gatwick offices.

The internal awareness of our activities has increased with presentations across the UK to highlight how the firm, our colleagues and communities benefit from our programmes.

Our contribution to the community has been recognised this year not only through our BitC Corporate Responsibility Index rating, but also through the re-accreditation of our education programme in London under the BitC Awards for Excellence.

## Our community contributions

We continue to meet the BitC PerCent Standard, a community investment benchmark, which means we are committed to giving at least 1% of our relevant profits to the community.

“Working as a PwC volunteer on an active citizenship project for young people gave me real insight into how schools operate and the issues affecting them. I’m now more confident when I talk to clients.”  
Nicola Burnard, PwC volunteer

# Contributing to our local communities

We have met this commitment each year throughout the past decade. In managing and measuring our community involvement, we benchmark ourselves against other partnerships and organisations.

Overall, we have contributed £4m (2004: £3m) to the wider community by way of cash donations, time and gifts in kind. This includes donations of over £365,000 made by the firm to the Red Cross and UNICEF towards the Tsunami relief effort as part of a staff matched funding programme.

This year 2,034 of our people (2004: 1,030) took part in community volunteering activities including one-to-one student mentoring, leading classroom sessions with businessdynamics, the business education and enterprise charity, and in team community activities. This equated to a contribution of some 21,000 working hours (2004: 11,500) to the community. Looking forward, we are aiming to increase the percentage of people who volunteer from 14% this year to at least 20% by the end of June 2008.

Many of our people donate their own time and money to charities and community organisations which do not necessarily fall within the firm's focus areas. In recognition of this, we have two schemes through which donations are made to the charities they support. These are the Matched Giving Programme for fund raisers and the Volunteering Awards Scheme for people who give their time to their chosen causes. During the year 700 people (2004: 500) received funding for their voluntary organisations. We also continue to offer the payroll giving scheme, Give

As You Earn, and to cover the associated administration costs levied on individual accounts. Around 3% (2004: 3%) of our staff contributed through this scheme.

## The way forward on corporate responsibility

We are proud of our achievements across the broad spectrum that comprises corporate responsibility.

Through our strategic review, and our wide range of stakeholder engagement activities, we know there are several areas in which we need to improve, and others where we have yet to develop adequate performance measures. We are also very conscious of the changing expectations that society places on large organisations and we will continue to pursue our corporate responsibility agenda vigorously.



Siobhan Bird, PwC volunteer reader with a pupil at a local school

Relationships with our national and local community partners include:

Volunteer Reading Help (VRH)

The Common Purpose 'Your Turn' leadership programme for young people

The Community Foundation Network, including our support for the 2005 national conference in Edinburgh

BitC and its business-led employee volunteering initiative, Cares, of which we are a founding member

The National Education Business Partnership Network (NEBPN) and a number of local EBPs including Hillingdon with whom we worked on a joint school project with British Airways

*Parlez-vous Français?* a French language project with two of our partner primary and secondary schools, which formed part of the Entente Cordiale centenary celebrations.

## Management Board

Development and implementation of policies, strategy, direction and management of the firm are the responsibilities of the Management Board, which is chaired by Kieran Poynter. He was re-elected by the partners for a second term of office for three years from July 2005. The Chairman appoints the other Management Board members, all of whom are partners in the firm. Operational management is effected through these Board members. Each Board member has responsibility and accountability for a defined aspect of our business.

The firm's client-facing activities are managed through a matrix structure with three primary elements, Lines of Service, Geography and Industries. Line of Service leaders are responsible for resource and profit accountability and Regional Chairmen and Industry Leaders co-ordinate our market activities.

The Management Board typically meets twice a month and on an ad-hoc basis as necessary. The Board receives monthly management accounts and all the other information and support which it needs to carry out its duties.

## Supervisory Board

The Supervisory Board, which is independent of the Management Board, consists of 15 partners elected from across the firm for a term of three years, together with the Chairman as an ex officio member.

The present Supervisory Board was elected to office on 1 July 2003 and is chaired by John Whiting. It has a general responsibility to give guidance to the firm's Chairman on matters which it judges to be of actual or potential concern to partners, taking into account the interests and well-being of the partners and the firm as a whole. It takes independent professional advice where appropriate. The Supervisory Board also has specific responsibilities under the Members' Agreement, the firm's written constitution, including approving the Annual Report and Accounts, the admission of new partners, determining and overseeing the process for electing the Chairman and checking that partner remuneration policies are appropriately applied.

## Senior Management Remuneration Committee

The Senior Management Remuneration Committee is a committee of the Supervisory Board which determines the profit share of the Chairman and approves his recommendations for the profit shares of the other members of the Management Board.

## Audit, Risk and Independence Committee

The Audit, Risk and Independence Committee is a committee of the Supervisory Board consisting of five members. It has responsibility for reviewing the policies and processes for identifying and assessing business risks within the firm and 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 independence of the external auditors and their range of non-audit services and fees. It met seven times in the year ended 30 June 2005. The Head of Operations and Finance, together with the internal and external auditors, attend its meetings by invitation.

The members of the Supervisory Board, all of whom served throughout the year under review, are:

John Whiting\*, Chairman  
Gordon Ireland, Deputy Chairman  
Mohammed Amin†  
John Brendon†  
Ann Cottis  
Roy Hodson†  
Pam Jackson\*  
Gerry Lagerberg  
David McKeith\*  
Ron McMillan  
Ken Murray  
Jack Naylor  
Pat Newberry†  
David Phillips\*  
Tim Pope†\*  
Kieran Poynter (ex officio)

\* Senior Management Remuneration Committee member

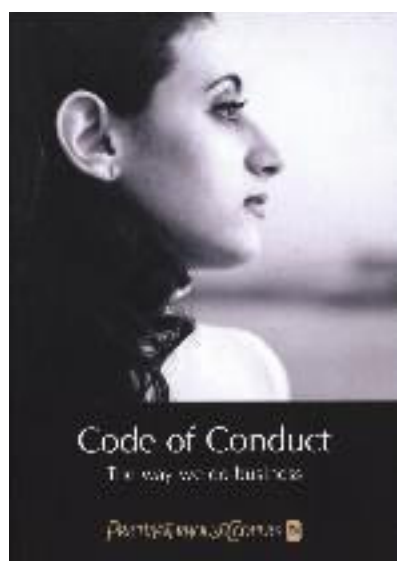
† Audit, Risk and Independence Committee member

# Strong management and governance



The members of the Management Board, all of whom served throughout the year: (from left to right) **Keith Tilson**, Line of Service Leader – Advisory; **Moira Elms**, Head of Human Capital; **John Berriman**, Head of Operations and Finance; **Kieran Poynter**, Chairman; **Owain Franks**, Strategic Thinking; **Richard Collier-Keywood**, Line of Service Leader – Tax; **Rodger Hughes**, Managing Partner – Clients & Markets; **Glyn Barker**, Line of Service Leader – Assurance; **Owen Jonathan**, General Counsel.





Our Code of Conduct, on the way we do business, sets standards of professionalism and integrity

[www.pwc.com/ethics](http://www.pwc.com/ethics)

## Managing risk and quality

Our culture and approach are underpinned by our Code of Conduct which sets standards of professionalism and integrity for all partners and staff. We are committed to maintaining best practice systems for risk management and internal control.

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

The five key elements of our risk management systems are:

- Each year the Management Board sets and communicates its strategic priorities which cascade into a business planning process. The contribution of each part of the firm is defined and monitored through balanced scorecard reporting;
- The Management Board has appointed a Risk Council, a committee of the Management Board charged with overseeing the controls that have been put in place to identify, evaluate and manage risk;
- The management of each Line of Service and of our Shared Services and National Functions maintains risk registers that document risks and responses to them. They each carry out a risk assessment and report annually to the Risk Council on the effectiveness of their risk management during the year;

- The UK firm's internal audit team and risk management functions provide an objective view of the effectiveness respectively of financial and operational systems and controls throughout the firm and of our professional services risk management systems, reporting to both the Management Board and to the Audit, Risk and Independence Committee; and
- The Audit, Risk and Independence Committee considers external and internal audit plans and the results of those audits.

Our risk management systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives. This means they provide reasonable, but not absolute, assurance over the prevention of material misstatement or loss and quality failings. These systems have been in place throughout the financial year and up to the date of approval of these financial statements.

The firm has specific procedures to assess the risks associated with new clients, including whether they meet expected standards of integrity. As part of the annual audit cycle, we undertake annual risk reviews of all audit clients, which include confirming that they continue to meet these standards.

We decline to act for clients where our assessment indicates that these standards are not met. Our policy is that appropriate engagement terms must be in place for all client engagements.

## Maintaining quality

We are proud of our reputation for delivering quality service and recognise the need to protect this reputation. Key elements of our approach include:

**Recruitment and development** – Our maintenance of quality begins with our recruitment procedures, under which candidates are tested to ensure that they are capable of performing to the high standards we demand. Throughout their time with the firm, partners and staff participate in structured training programmes to ensure that their skills and knowledge represent best practice. The qualifications and continuing professional education of practitioners are monitored to ensure that work continues to be carried out by individuals who are appropriately experienced and, where necessary, that they continue to be qualified under relevant UK legislative, regulatory and other applicable requirements.

**Quality procedures** – For many of our services we have developed standard methodologies and work programmes, which are designed to ensure that our partners and staff deliver work that achieves the expected level of quality. Quality is further underpinned by teams of appropriately trained people with industry expertise, supported where necessary by specialist skills drawn from other service areas from across the firm. Work done by each team member is subject to supervision and review by a more senior and experienced member of the team. Audit files are maintained electronically on systems that support an internationally applied methodology using

frameworks of audit steps and guidance designed to aid compliance with applicable standards.

**Consultation** – Our consultative and supportive culture means that no partner or member of staff is left to take a difficult decision alone; he or she has access to wide informal and formal networks and technical panels that will help reach the right solution to difficult problems.

**Quality assurance programme** – Each Line of Service runs an annual quality assurance programme in which an independent team of practice partners and staff reviews completed engagements to assess compliance with our quality standards and regulatory requirements. This process is also used to identify areas where practice partners and staff require further training or support. There is a range of sanctions to address the few cases where performance is assessed as falling short of requisite standards.

**Learning lessons** – Whilst our reputation for quality is high, we do, on occasion, fall short of the standards expected of us. When this happens we seek to discuss and resolve the issue with the client concerned. We also assess the case independently, examining the matter for lessons learned. We disseminate such lessons, together with any recommendations arising from reviews by our external regulators, to the relevant service area.

**Investing in our people** – Recruitment and retention of the best and brightest people is an essential part of our risk management approach. We monitor the

motivation of our people through regular surveys and through feedback from our year-round counselling and appraisal processes. Informal guidance on career development is available through our mentoring programmes. All Lines of Service are required to make regular reports of their progress against people retention targets and these are monitored by the Management Board.

## Complying with regulation

Our public interest responsibilities, particularly in regulated areas of our business such as auditing, demand that we deliver consistently reliable high-quality work that meets the expectations of the independent authorities that regulate, supervise and set our professional standards. Our regulatory compliance safeguards include:

### **Ethics, Independence and Compliance**

– We have a partner responsible for independence and ethics who takes overall responsibility for our compliance function. This function sets out policies that comply with relevant regulations, provides training, guidance and tools to our practice partners and staff to help them to follow those policies and oversees a practice assurance programme to monitor compliance levels. Our policies on conflicts of interest and the maintenance and monitoring of our standards of independence are particular areas of focus.

### **Personal independence confirmations**

– Confirmations of regulatory compliance, including independence, are required from all partners and staff at the date of joining and at least annually thereafter.

All partners and client-facing directors and managers are required to record details of their investment portfolios on a database that identifies potential exceptions against a worldwide list of restricted investments. Partners and staff are required to confirm their independence in respect of audit clients to whom they provide services. Minor infringements of these rules can result in financial or other penalties for those concerned. Serious breaches of our rules can result in the partner or staff member concerned leaving the firm.

**Scope of services** – The lead audit engagement partner for each audit client is required to consider and pre-approve, in conjunction with the client's audit committees where appropriate, any non-audit services in order to ensure that our independence and objectivity is not compromised. An online system, Authorisation for Services, has been implemented across the PwC network to inform audit partners of any proposed services and enable them to consider and document pre-approval.

**Audit team rotation** – On listed clients, the firm requires rotation of the audit engagement partner and the quality review partner after five years and for other key members of the audit team after seven years. On other audit clients the firm requires rotation of the engagement partner and key members of the team after ten years.

**Whistle-blowing helpline** – Our compliance function provides a confidential helpline where any partner or staff member can raise queries and report concerns.



# Ensuring regulatory compliance



**Regulatory developments** – We continue to monitor the risk that developments in regulation might necessitate a change in our business model. We participate actively in the development of the regulatory agenda to ensure that the objectives of all stakeholders are considered. We believe that our business model best enables us to meet the high quality standards of the capital markets, our clients and regulators.

we comply with our legal duties under the Health and Safety at Work Act 1974. We have comprehensive business continuity plans that are tested regularly so that we can continue to operate effectively in the event of a major disruption.

**Regulatory awareness** – Training programmes are designed and delivered to alert our people to regulatory change and to reinforce awareness of key compliance requirements. This year training included anti-money laundering, and both personal and scope of service independence requirements.

**Ensuring operational efficiency** – Delivery of client service is only possible if our infrastructure provides continuous support to our partners and staff. Our Shared Services teams ensure that our infrastructure is maintained effectively. We have procedures in place to ensure

# Growth\*

Delivering sustainable growth

\*connectedthinking



Sarah Yassien and Andrew Cope  
at our Embankment Place office  
in London



**1.8**  
billion pounds  
of turnover

### Revenue Recognition

Following clarification issued during the year by the Urgent Issues Task Force (UITF) of the Accounting Standards Board, the Group's revenue recognition policy has been revised. As explained in note 1 to the financial statements, the main impact is that the majority of the Group's turnover is now recognised as contract activity progresses, rather than recognising turnover when each client assignment is substantially complete.

The main effect of this change in accounting policy is to increase turnover and profit recognised in the prior financial year by £15m, and to increase cumulative reported profit by £92m, as a prior year adjustment. All analyses in this Annual Report and Accounts have been restated for these adjustments.

## Members' report

The Management Board submits its report and the audited consolidated financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2005. This Members' report should be read in conjunction with the other sections of this Annual Report headed Chairman, Clients, People, Firm, Financial and Global.

## Structure

The consolidated financial statements comprise the accounts of PricewaterhouseCoopers LLP and its subsidiary undertakings (the 'Group'). The principal subsidiary undertakings of PricewaterhouseCoopers LLP are set out in note 20 to the financial statements; there were no branches of the LLP outside the UK. The Group's principal activity is the provision of professional services, managed under three key business clusters of Assurance, Tax and Advisory. During the current year no single client represented more than 1.75% of turnover (2004: 1.5%).

## Turnover

Turnover grew 12% to £1,780m, compared to a 5% growth in the prior year. Our growth represents the continued execution of our strategy of leading in our market place based on differential quality and being a great place to work for all our people.

## Assurance

Overall Assurance turnover increased strongly by 18% to £861m, compared to an 11% growth in the prior year. Advice to clients on International

Financial Reporting Standards transition and Sarbanes-Oxley reporting, amounting in total to approximately £100m, fuelled much of the growth in both core audit and other non-recurring Assurance and regulatory reporting services. Transaction Services performed well, particularly in the second half of the year, with increased turnover of 9% reflecting our strong position in the private equity market and clients widening the range of services required to support their deals. Provision of Actuarial services is divided between insurance teams in Assurance and pensions teams in Tax. Both were in heavy demand.

## Tax

Tax showed a healthy return to growth, with turnover increasing 8% to £514m, compared to a 4% fall in the prior year. This was fuelled by winning work at non-audit clients, where focused targeting is reaping dividends. Turnover growth was lower in services to audit clients, largely reflecting the impact of regulation on the buying decisions of our clients. Human Resource Services turnover growth of 8% was aided by our position as a leading provider of HR consulting services. The pensions actuarial services team continued to provide advice to clients as a result of the intense national focus on pensions and proposed changes to pensions legislation.

## Advisory

Advisory turnover increased a further 9% to £405m, on the back of an 8% increase in the prior year. Advisory comprises a number of services. Performance Improvement Consulting grew strongly at 28%, benefiting from increased market

# Continued financial progress

awareness, a string of project wins and the continued recruitment and development of high quality, specialist expertise. Offsetting this growth was a 6% decline in Forensic and Business Recovery Services turnover, the latter reflecting the benign UK economy and counter-cyclical nature of that business. Corporate Finance benefited however, with 14% turnover growth achieved through careful targeting within our chosen deal markets.

## Operating costs

We continued to retain tight control over costs. However, some increases were unavoidable. Sharp rises resulted from ensuring we comply with the increasing burden of regulation and from recruiting and training people to handle the increase in activity.

Operating costs include expenses and disbursements on client assignments, which increased by £14m to £221m during the year. Staff costs increased £89m to £769m, reflecting the impact of pay awards, a 42% increase in staff bonuses to £52m and an increase in average monthly staff headcount of approximately 1,000 people over the year to some 13,750 people.

Depreciation and amortisation charges declined £5m to £42m, reflecting lower levels of technology investment following completion of our major financial and customer relationship management systems implementations in the prior year. Other operating charges, which increased by £35m to £279m, include recruitment costs, investment in learning and development, accommodation and

technology to support our great place to work agenda and centrally incurred costs. Other operating charges and depreciation, expressed as a percentage of turnover, reduced to 18.0% compared to 18.4% in the prior year.

## Shared services

Our client facing businesses are supported by a professional team of internal shared service experts. We continue to pursue our strategy of creating a flexible and scaleable suite of shared services. We measure the quality of our service by reference to both service level agreements and quarterly *Your Services Your Say* surveys. Our latest survey results show that internal service satisfaction levels have increased from 82% in the prior year to 85% in 2005.

## Staff pensions

Some 9,000 of our staff are active members of the firm's various pensions arrangements, with 2,400 staff being members of, or having eligibility to join, one of the firm's defined benefit arrangements.

The defined benefit schemes are currently subject to their triennial actuarial review, the results of which should be available later in 2005. The schemes were last formally valued in 2002, although as a result of adverse conditions since then the Group adopted a funding plan in October 2003 designed to eliminate the deficits in these schemes over a period of 10 years. This is reflected in the £80m prepayment in the balance sheet.

## Making it Easier

During the year we launched a comprehensive internal programme, *Making it Easier*, which aims to reduce the overall administrative burden in the business, simplify business processes further and also enhance the level of systems education and training. This should both make life easier for all in the firm and free up more time for our people to do those things that really add value for our clients.

The current focus of *Making it Easier* is targeted at the three major issues identified by our people as having the most immediate impact: reducing the e-mail burden, ensuring easier and better electronic connectivity from our teams working at client sites and driving further enhancements and simplifications to our engagement management systems.



*Making it Easier* workshops were held with over 1,000 people across the business





We held 28 events with 2,700 attendees and distributed over 15,000 overnight e-mails to help make sense of the Budget

## Operating profit

£m



## Net assets

£m



The informal valuations carried out for the purpose of FRS17 disclosures (note 19 to the financial statements) indicate a deficit before deferred tax of £298m this year, compared to the prior year figure of £203m. The increase in the FRS17 deficit reflects primarily the decrease in the long-term discount rate used to value scheme liabilities and the impact of assuming longer periods of pensions in payment due to increases in life expectancy, offset by improvements in equity markets over the 12 months ended 30 June 2005.

## Operating profit

Turnover growth of 12%, offset by an 11% increase in costs, led to an overall 16% growth of £64m in operating profit to £469m.

## Net assets

Net assets of £556m were, in total, up £96m on the previous year, with cash resources increasing £162m to £227m. Fixed assets declined £20m, reflecting a reduced level of current year investment spend and a full year's depreciation charge on prior year expenditure. Debtors decreased by £41m, including a £38m decrease in trade debtors, representing strong working capital management during a period of growth, offset by a £19m increase in pension prepayments and a £28m increase in amounts due from members as a result of higher tax costs in subsidiary undertakings due to new UK transfer pricing legislation. There was an overall £4m reduction in provisions, primarily due to a reduction in claims provisions offset by an increase in the deferred tax provision arising from the staff pensions prepayment.

## Members' other interests

A detailed analysis of members' other interests of £556m (2004: £460m) may be found in note 15 to the financial statements. These comprise personal capital subscribed by members of £100m (2004: £94m) and £456m of undistributed members' reserves (2004: £366m). Capital of £8m was repaid during the year to retiring members (2004: £10m).

## Creditor payment policy

We seek to agree commercial payment terms with our suppliers and, provided performance is in accordance with the agreed terms, to make payments accordingly. The number of days outstanding between receipt of invoices 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 16 days (2004: 15 days).

## Treasury

Our treasury focus is on ensuring there are sufficient funds to finance the business. Surplus cash, where it arises, is invested in short-term money market deposits. As more fully explained in note 21 to the financial statements, hedging is undertaken to reduce risk and no speculative foreign exchange trading is permitted.

## Financing

The firm is financed through a combination of members' capital, undistributed profits and borrowing

# Increased balance sheet strength

facilities. Members' capital contributions are determined by the Management Board, having regard to the working capital needs of the business. These capital contributions are set by reference to the individual member's equity unit profit share proportion and are repayable, at par, following the member's retirement.

Our bank facilities, which totalled £150m at the year-end (2004: £128m), were renewed during the year under a five year arrangement terminating in January 2010. Our facilities, which are spread across a number of banks, are maintained at levels sufficient to meet the expected peak cash requirements of the business. We are satisfied that our facilities will maintain a prudent buffer over our forecast peak borrowing requirements over the next 12 months.

## Capital expenditure

Capital expenditure of £27m (2004: £45m) in the year consisted mainly of IT purchases, in particular the purchase rather than the lease of personal computers, investment in new systems, and our continued investment in refurbishing offices.

## Total tax contribution

The Group contributes significantly to the Exchequer through the payment and collection of a number of taxes. During the year we paid a range of business taxes in the normal course of business, amounting to £94m (2004: £87m). As a people business, our main business tax payment is the National Insurance Contributions (NIC) which we pay in respect of our employees, amounting this year to £62m (2004: £55m).

We also collected £384m (2004: £339m) in taxes on behalf of Government in the year, the most significant of which were VAT and PAYE. These taxes are a reflection of the value added and job creation activities of the firm and represent part of our wider economic contribution to both society and to the overall UK tax take.

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 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, as explained below, makes periodic distributions of profit to enable members to settle their tax liabilities with HM Revenue and Customs.

## Members' profit shares

Members are remunerated solely out of the profits of the firm and are personally responsible for funding their pensions and other benefits. Final allocation of profits to members is made by the Management Board after assessing each member's contribution for the year. The Supervisory Board oversees and approves this process.

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

- responsibility income – reflecting the member's sustained contribution and responsibilities;

### Total tax contribution

Business taxes paid	2005 £m	2004 £m
Employers' NIC paid	62	55
Business rates	11	12
Corporation tax	11	7
PAYE/NIC on benefits	5	6
Insurance Premium Tax	1	2
Other	4	5
<b>Total business taxes paid</b>	<b>94</b>	<b>87</b>

Business taxes collected	2005 £m	2004 £m
Net VAT collected	201	178
PAYE collected	150	131
Employees' NIC collected	33	30
<b>Total business taxes collected</b>	<b>384</b>	<b>339</b>

### Key accounting policies

Our accounting policies are described in full in note 1 to the financial statements. Key elements of our accounting policies include: revenue recognition, the estimation of claims provisions and the assumptions used as the basis of accounting for staff pensions.

- performance income – reflecting how a member and his/her team(s) have performed; and
- equity unit income – reflecting the overall profitability of the firm.

Each member's performance income, which in the current year represents on average approximately 35% of their profit share (2004: 25%), is determined by assessing achievements against an individually tailored balanced scorecard of objectives based on the member's role.

Regard is given to ensuring that we deliver quality services and that we maintain our independence and integrity, including in relation to the provision of non-audit services to our audit clients.

There is transparency amongst the members of the total income allocated to each individual.

### Drawings

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

The Management Board sets the level of members' monthly drawings and interim profit allocations, based on a percentage of their individual responsibility income. The Supervisory Board approves this process. The final allocation and distribution of profits to individual

members is made once their performance has been assessed and the annual financial statements have been approved.

### Political donations

The firm does not make any cash nor, as a general rule, in-kind donations to any political party or other groups with a political agenda. In exceptional circumstances, secondments or other contributions may be permitted, but require the agreement of the Management Board. In considering any request, the Management Board has regard to the possible impact on clients of the firm and the firm's overall reputation.

During the year we provided a total of less than 150 hours of free technical support to political parties (2004: less than 200 hours).

In the interests of the firm and its clients, the firm also engages in discussion with government, opposition parties, MEPs, councillors and other related parties to seek to improve legislation or proposed legislation, to ensure the exchange of relevant information and to encourage the understanding of the mechanisms of legislative decision making.

### Going concern

The Management 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.

### Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of PricewaterhouseCoopers LLP are Kieran Poynter, John Berriman, Owen Jonathan and Andrew Smith. They all served during the whole of the year. Paul Boorman also served as a designated member during the year until he stepped down on 30 June 2005.

## 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 Management Board on behalf of the members. The Management 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 Management Board



Kieran Poynter, Chairman  
12 August 2005

## International Financial Reporting Standards

Following the introduction of suitable enabling legislation, the Group has the option to adopt International Financial Reporting Standards (IFRS) for the year ending 30 June 2006. A final decision will be taken during the course of the year.

The principal potential changes under IFRS, compared to our current accounting policies, include the accounting treatment of staff pensions, members' capital and fixed assets and associated presentation and disclosure changes.

## Independent auditors' report to the members of PricewaterhouseCoopers LLP

We have audited the financial statements which comprise the profit and loss account, statement of recognised gains and losses, balance sheets, cash flow statement and the related notes numbered 1 to 23. These 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 accounting standards are set out in the members' responsibility statement in the Members' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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 the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information is set out in the sections headed Chairman, Clients, People, Firm, Financial and Global.

We have reviewed the 'Managing risk and quality' statement in the section headed Firm. We have not been asked to consider whether the LLP's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the LLP's corporate governance procedures or its risks, control or quality procedures. Nothing has come to our attention during the course of our audit which would indicate that the other matters set out in 'Maintaining quality' and 'Complying with regulation' statements in the section headed Firm are not described appropriately.

### **Basis of audit opinion**

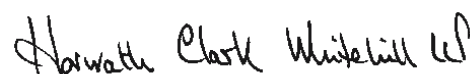
We conducted our audit in accordance with United Kingdom auditing standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by members in the 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the LLP and the Group at 30 June 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, as applied to limited liability partnerships.

Based on the work undertaken during the course of our audit, and having made limited additional enquiries, we confirm that the descriptions of the five identified key elements of the risk management systems described in 'Managing risk and quality' properly reflect the processes concerned.



Horwath Clark Whitehill LLP  
Chartered Accountants  
and Registered Auditors,  
London  
12 August 2005



## Consolidated profit and loss account

for the year ended 30 June 2005

	Notes	2005 £m	2004 Restated £m
<b>Turnover</b>	2	<b>1,780</b>	<b>1,583</b>
<b>Operating costs</b>			
Other external charges: expenses and disbursements on client assignments		(221)	(207)
Staff costs	3	(769)	(680)
Depreciation and other amounts written off tangible and intangible fixed assets	4	(42)	(47)
Other operating charges	4	(279)	(244)
		<b>(1,311)</b>	<b>(1,178)</b>
<b>Operating profit</b>		<b>469</b>	<b>405</b>
Net interest receivable	5	3	1
<b>Profit on ordinary activities before taxation</b>		<b>472</b>	<b>406</b>
Tax on profit on ordinary activities in corporate subsidiaries	6	(4)	(7)
<b>Profit for the financial year before members' remuneration and profit shares and available for division among members</b>	15	<b>468</b>	<b>399</b>

All amounts relate to continuing operations. No members received salaried remuneration. The amounts shown for profit for the financial year before members' remuneration and profit shares and available for division among members are the same as the profit on ordinary activities after taxation.

## Consolidated statement of total recognised gains and losses

for the year ended 30 June 2005

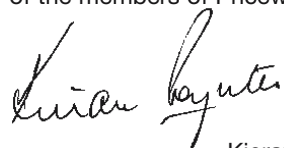
	Notes	2005 £m	2004 Restated £m
<b>Profit and total recognised gains for the financial year</b>	15	<b>468</b>	<b>399</b>
Prior year adjustment	1, 15	92	
<b>Total gains recognised since last annual report</b>		<b>560</b>	

## Consolidated balance sheet

at 30 June 2005

	Notes	2005 £m	2004 Restated £m
<b>Fixed assets</b>			
Intangible assets	8	1	4
Tangible assets	9	113	128
Investments	10	6	8
		<b>120</b>	<b>140</b>
<b>Current assets</b>			
Debtors			
– Receivable within one year		525	580
– Receivable after more than one year		86	72
	11	611	652
Short-term deposits		200	44
Cash at bank and in hand		27	21
		<b>838</b>	<b>717</b>
<b>Creditors – amounts falling due within one year</b>	12	<b>(306)</b>	<b>(297)</b>
<b>Net current assets</b>		<b>532</b>	<b>420</b>
<b>Total assets less current liabilities</b>		<b>652</b>	<b>560</b>
<b>Provisions for liabilities and charges</b>	14	<b>(95)</b>	<b>(99)</b>
<b>Net assets before loans and other debts due to members</b>		<b>557</b>	<b>461</b>
<b>Loans and other debts due to members</b>		<b>(1)</b>	<b>(1)</b>
<b>Net assets</b>		<b>556</b>	<b>460</b>
<b>Members' other interests</b>			
Members' capital	15	100	94
Other reserves	15	456	366
<b>Members' other interests</b>		<b>556</b>	<b>460</b>
<b>Total members' interests</b>			
Loans and other debts due to members		1	1
Members' other interests		556	460
Amounts due from members (included in Debtors)		(28)	(1)
<b>Total members' interests</b>	15	<b>529</b>	<b>460</b>

The financial statements on pages 43 to 69 were signed on 12 August 2005 on behalf of the members of PricewaterhouseCoopers LLP by:

  
Kieran Poynter

  
John Berriman

# PricewaterhouseCoopers LLP balance sheet

at 30 June 2005

	Notes	2005 £m	2004 Restated £m
<b>Fixed assets</b>			
Intangible assets	8	–	2
Tangible assets	9	16	18
Investments	10	14	16
		<b>30</b>	<b>36</b>
<b>Current assets</b>			
Debtors			
– Receivable within one year		491	565
– Receivable after more than one year		34	32
	11	525	597
Short-term deposits		200	44
Cash at bank and in hand		17	35
		<b>742</b>	<b>676</b>
<b>Creditors – amounts falling due within one year</b>	12	<b>(164)</b>	<b>(186)</b>
<b>Net current assets</b>		<b>578</b>	<b>490</b>
<b>Total assets less current liabilities</b>		<b>608</b>	<b>526</b>
<b>Provisions for liabilities and charges</b>	14	<b>(74)</b>	<b>(80)</b>
<b>Net assets before loans and other debts due to members</b>		<b>534</b>	<b>446</b>
<b>Loans and other debts due to members</b>		<b>(1)</b>	<b>(1)</b>
<b>Net assets</b>		<b>533</b>	<b>445</b>
<b>Members' other interests</b>			
Members' capital	15	99	94
Other reserves	15	434	351
<b>Members' other interests</b>		<b>533</b>	<b>445</b>
<b>Total members' interests</b>			
Loans and other debts due to members		1	1
Members' other interests		533	445
Amounts due from members (included in Debtors)		–	(1)
<b>Total members' interests</b>	15	<b>534</b>	<b>445</b>

The financial statements on pages 43 to 69 were signed on 12 August 2005 on behalf of the members of PricewaterhouseCoopers LLP by:



Kieran Poynter



John Berriman

## Consolidated cash flow statement

for the year ended 30 June 2005

	Notes	2005 £m	2004 £m
Net cash inflow from operating activities	16	566	318
Returns on investments and servicing of finance	17	2	1
Taxation – corporation tax paid		(11)	(8)
Capital expenditure and financial investment	17	(24)	(34)
Acquisitions and disposals	17	–	48
Transactions with members	17	(371)	(389)
Net cash inflow (outflow) before management of liquid resources and financing		162	(64)
Management of liquid resources	17	(156)	64
<b>Increase in cash in the year</b>		<b>6</b>	<b>–</b>

## Reconciliation of increase in net cash to movement in net funds

	Notes	2005 £m	2004 £m
Increase in cash in the year		6	–
Net cash inflow (outflow) to increase liquid resources		156	(64)
Increase (decrease) in net funds resulting from cash flows		162	(64)
Net funds at beginning of year		65	129
<b>Net funds at end of year</b>	18	<b>227</b>	<b>65</b>



# Notes to the financial statements

for the year ended 30 June 2005

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the financial statements, with the exception of the change in accounting policy for revenue recognition as described below.

### Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and the Statement of Recommended Practice, Accounting by Limited Liability Partnerships.

### Basis of 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 acquisition accounting principles from or up to the date control passed.

As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented for PricewaterhouseCoopers LLP.

### Change in accounting policies – revenue recognition

Following clarification issued during the year by the Urgent Issues Task Force (UITF) of the Accounting Standards Board, the Group's revenue recognition policy has been revised. The main impact is that the majority of the Group's turnover is now recognised as contract activity progresses, rather than when each client assignment is substantially complete.

The main effect of this change in accounting policy is to increase turnover and profit recognised in the prior financial year by £15m, and to increase prior year cumulative reported profit by £92m (2003 – £77m), as a prior year adjustment. Turnover and profit for the current financial year would have been lower by £16m under the previous accounting policy.

The prior year comparatives and notes within these financial statements have all been restated for this prior year adjustment, including the notes on turnover and segmental analysis, members' profit shares, debtors, creditors, members' interests and cash flow.

### Turnover

Turnover represents the fair value of services provided during the year on client assignments. Turnover is recognised as contract activity progresses and the right to consideration is earned. Fair value reflects the amount expected to be recoverable from clients and is based on the time spent, skills and expertise provided and expenses incurred. Turnover excludes Value Added Tax.

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

Unbilled turnover on individual client assignments is included as accrued income within debtors. Where individual on-account billings exceed revenue recognised on client assignments, the excess is classified as deferred income within creditors.

### Lease costs

Operating lease rentals are charged to profit on a straight line basis over the period of the lease.

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. 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, furnishings & equipment:	
– Office plant	20 years or shorter leasehold term
– Office fittings	10 years or shorter leasehold term
– Office equipment	3 to 5 years
Software & computer equipment	3 to 5 years

Costs that are directly attributable to the development of new business application software and that are incurred prior to the date that the software becomes operational are capitalised. External and incremental internal costs are capitalised only to the extent that they enhance the future economic benefits of the business.

Repairs and maintenance costs are charged to the profit and loss account as incurred.

## Notes to the financial statements

for the year ended 30 June 2005

### 1 Accounting policies (continued)

#### Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing the excess of the fair value of the consideration given and associated costs over the fair value of the identifiable assets and liabilities acquired, is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful economic life, normally a period of five to seven years. If the carrying value of goodwill is considered to exceed its recoverable amount, an impairment charge is included in operating profit. Any profit or loss on disposal of goodwill arising from the sale of a subsidiary undertaking or business is included as part of the profit or loss on disposal of that undertaking or business in the profit and loss account.

#### Fixed asset investments

Fixed asset investments are included at cost less any provision required for impairment in value. Income from these investments is recognised when entitlement is established.

#### Provisions

Provision is made for the net 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. Present value is based on discounted future cash flows.

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 such circumstances 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.

#### Pension costs and other post-retirement benefits

Staff pension costs relating to the Group's defined benefit pension schemes are charged against profit in a systematic manner over the estimated service lives of employees in the schemes, based on advice from independent actuaries. Formal actuarial valuations are carried out every three years. Surpluses and deficits arising on periodic actuarial valuations of the pension funds are spread over the average estimated remaining service lives of current employees. Staff pension costs relating to the Group's defined contribution schemes are charged when they become payable.

Members 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 predecessor partnership, PricewaterhouseCoopers United Kingdom Partnership, have agreed to pay pension annuities to certain former partners of the predecessor 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 in any way by, PricewaterhouseCoopers LLP or its subsidiary undertakings. Accordingly, these annuities are not dealt with in these financial statements.

#### 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 ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

#### Allocation of profits and drawings

During the year the Management Board sets the level of interim profit allocations and members' monthly drawings after considering the Group's working capital needs. To the extent that interim profit allocations exceed drawings then the excess profit is included in the balance sheet under Loans and other debts due to members. Should drawings exceed the allocated profits then the excess is included in Debtors. 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 Other reserves within Members' other interests.

#### Taxation

Income tax payable on the LLP's profits is solely the personal liability of the individual members and consequently is not dealt with in these financial statements.

The companies dealt with in these consolidated financial statements are subject to corporation tax based on their profits for the financial year. Deferred tax is recognised, without discounting, on a full provision basis on all timing differences in the companies.

## 2 Turnover and segmental analysis

Turnover arises entirely in the UK and Channel Islands. An analysis of turnover and operating profit is set out below; prior year comparatives have been restated in accordance with the change in revenue recognition accounting policy described in note 1.

	Turnover		Operating profit	
	2005	2004 Restated	2005	2004 Restated
	£m	£m	£m	£m
Assurance	861	732	220	185
Tax	514	478	144	125
Advisory	405	373	105	95
	<b>1,780</b>	<b>1,583</b>	<b>469</b>	<b>405</b>

Costs that are specifically attributable are allocated direct to individual segments. The majority of the Group's central costs are allocated to segments under bases determined within documented service level agreements and all other central costs are apportioned having regard to the appropriate cost driver.

### Inter-segmental turnover

The previous table shows only third party turnover. Inter-segmental turnover, which has been eliminated on consolidation, is set out below:

	2005	2004 Restated
	£m	£m
Assurance	12	11
Tax	35	32
Advisory	38	23
	<b>85</b>	<b>66</b>

### Geographic analysis of turnover

Turnover can be analysed by client location as follows:

	2005	2004 Restated
	£m	£m
UK and Channel Islands	1,586	1,407
Rest of Europe	89	73
North America	73	87
Rest of World	32	16
	<b>1,780</b>	<b>1,583</b>

## Notes to the financial statements

for the year ended 30 June 2005

### 2 Turnover and segmental analysis (continued)

#### Net asset analysis

The segmental analysis of net assets is as follows:

	2005	2004 Restated
	£m	£m
Assurance	156	145
Tax	127	173
Advisory	73	83
Non-operating assets and liabilities not allocated	200	59
	<b>556</b>	<b>460</b>

Net asset interests are principally in the UK. Non-operating assets and liabilities not allocated comprise cash at bank and in hand, short-term deposits and corporation and deferred tax balances.

### 3 Staff costs

	2005	2004 Restated
	£m	£m
Salaries	658	582
Social security costs	71	58
Other pension costs (note 19)	40	40
	<b>769</b>	<b>680</b>

Prior year staff costs have been restated by decreasing salaries by £14m and increasing pension costs by £14m to reflect the flexible benefit arrangement that is in place for employees who are members of defined contribution pension schemes.

The average monthly number of employees during the year was:

	2005	2004 Restated
	Number	Number
Assurance	6,136	5,415
Tax	3,172	3,106
Advisory	2,381	2,232
Shared Services and National Functions	2,065	2,014
	<b>13,754</b>	<b>12,767</b>

Employee numbers for 2004 have been restated to reflect an internal restructuring which resulted in the transfer of 107 employees to Shared Services and National Functions from other segments.



## 4 Other operating costs

	2005 £m	2004 £m
<b>Depreciation and other amounts written off tangible and intangible fixed assets:</b>		
– depreciation of owned assets (note 9)	39	45
– amortisation of goodwill (note 8)	3	2
	<b>42</b>	<b>47</b>

Included in other operating charges are the following costs:

### Operating lease rentals:

– land and buildings	67	72
– plant and machinery	10	9
	<b>77</b>	<b>81</b>

Group audit fees and expenses for the year were £0.3m (2004 – £0.5m) of which the amount relating to the parent LLP was £0.2m (2004 – £0.4m). There were no fees paid to Horwath Clark Whitehill LLP for non-audit services (2004 – £nil).

## 5 Net interest receivable

	2005 £m	2004 £m
Interest payable and similar charges:		
– on bank overdrafts	(2)	(1)
Interest receivable	4	2
Unwinding of discount	1	–
	<b>3</b>	<b>1</b>

## Notes to the financial statements

for the year ended 30 June 2005

### 6 Tax on profit on ordinary activities

These financial statements do not incorporate any charge or liability for taxation on the results of the LLP, as the relevant income tax is the responsibility of the individual members. The charge to tax, which arises in the corporate entities included within these financial statements, is:

	2005 £m	2004 £m
Total current tax comprising UK corporation tax charge (credit) at 30% based on profits for the year (see reconciliation below)	31	(2)
Compensating payment due from members (see note below)	(28)	–
Deferred tax arising from the origination and reversal of timing differences (note 14)	1	9
<b>Tax on profit on ordinary activities in corporate subsidiaries</b>	<b>4</b>	<b>7</b>

Following changes in UK transfer pricing legislation, the UK corporation tax charge in subsidiary undertakings has increased by £28m in the year. The cost of this is offset by a compensating payment to be made by members direct to the relevant corporate entities.

The following table reconciles the tax charge at the standard rate to the actual tax charge (credit).

	2005 £m	2004 £m
Profit on ordinary activities of corporate entities before tax	5	8
Tax charge at UK standard rate of 30%	1	2
Transfer pricing charge	28	–
Expenses not deductible for tax purposes	5	5
Capital allowances less than depreciation	2	3
Timing differences in respect of movements in pension prepayments	(3)	(11)
Adjustments in respect of previous years	(2)	–
Other timing differences	–	(1)
<b>Total current tax (above)</b>	<b>31</b>	<b>(2)</b>

## 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:

	2005 Number	2004 Number
Assurance	333	333
Tax	223	229
Advisory	176	164
Other, including members fulfilling roles in the PwC global network	23	26
	<b>755</b>	<b>752</b>

The average profit per member is calculated by dividing the profit for the financial year before members' remuneration and profit shares by the average number of members:

	2005 £000	2004 Restated £000
<b>Average profit per member</b>	<b>620</b>	<b>531</b>

The total amount invested by members in the business, represented by members' capital and undistributed profits in Members' other interests, at 30 June 2005, divided by the number of members at that date, amounts to an average investment per member of £738,000 (2004 restated – £619,000).

The profit attributable to the Chairman, the member with the largest entitlement to profit, is £2,100,000 (2004 – £1,750,000). His investment in the business, represented by his share of Members' other interests, at 30 June 2005 was £2,420,000 (2004 restated – £2,055,000).

## 8 Intangible assets – goodwill

	Group £m	LLP £m
<b>Cost</b>		
<b>At beginning of year and at end of year</b>	<b>10</b>	<b>3</b>
<b>Amortisation</b>		
At beginning of year	6	1
Charge for the year	3	2
<b>At end of year</b>	<b>9</b>	<b>3</b>
<b>Net book value at end of year</b>	<b>1</b>	<b>–</b>
<b>Net book value at end of prior year</b>	<b>4</b>	<b>2</b>

## Notes to the financial statements

for the year ended 30 June 2005

### 9 Tangible assets

Group	Freehold property £m	Leasehold property £m	Fittings, furnishings & equipment £m	Computer equipment & software £m	Total £m
<b>Cost</b>					
At beginning of year	5	34	104	152	295
Additions	–	–	6	21	27
Disposals and write-offs	–	(2)	(5)	(13)	(20)
<b>At end of year</b>	<b>5</b>	<b>32</b>	<b>105</b>	<b>160</b>	<b>302</b>
<b>Depreciation</b>					
At beginning of year	1	20	51	95	167
Charge for the year	–	1	10	28	39
Disposals and write-offs	–	(1)	(5)	(11)	(17)
<b>At end of year</b>	<b>1</b>	<b>20</b>	<b>56</b>	<b>112</b>	<b>189</b>
<b>Net book amount at end of year</b>	<b>4</b>	<b>12</b>	<b>49</b>	<b>48</b>	<b>113</b>
<b>At end of prior year</b>	<b>4</b>	<b>14</b>	<b>53</b>	<b>57</b>	<b>128</b>

Capital commitments contracted but not provided for at 30 June 2005 amounted to £2m (2004 – £nil).

LLP	Leasehold property £m	Fittings, furnishings & equipment £m	Total £m
<b>Cost</b>			
At beginning of year	29	5	34
Disposals	(1)	–	(1)
<b>At end of year</b>	<b>28</b>	<b>5</b>	<b>33</b>
<b>Depreciation</b>			
At beginning of year	12	4	16
Charge for the year	1	1	2
Disposals and write-offs	(1)	–	(1)
<b>At end of year</b>	<b>12</b>	<b>5</b>	<b>17</b>
<b>Net book amount at end of year</b>	<b>16</b>	<b>–</b>	<b>16</b>
<b>At end of prior year</b>	<b>17</b>	<b>1</b>	<b>18</b>

Leasehold property (Group & LLP) includes a long lease with net book value of £5m (2004 – £5m).



## 10 Investments

	Group £m	LLP £m
<b>Investments in Group undertakings</b>		
<b>At beginning of year and at end of year</b>	<b>–</b>	<b>8</b>

Investments in Group undertakings are stated at cost. A list of principal subsidiary undertakings is given in note 20. There were no movements in shares held by the LLP in Group undertakings in the year.

### Other investments

#### Cost

<b>At beginning of year and at end of year</b>	<b>9</b>	<b>8</b>
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#### Provisions

At beginning of year

**1** –

Charge for year

**2** 2

**At end of year**

**3** 2

**Cost less provisions at end of year**

**6** 6

**Cost less provisions at end of prior year**

**8** 8

The principal investments comprise trade investments in entities through which PricewaterhouseCoopers LLP and other PricewaterhouseCoopers member firms around the world provide services to global clients.

<b>Total investments at end of year</b>	<b>6</b>	<b>14</b>
<b>Total investments at end of prior year</b>	<b>8</b>	<b>16</b>

## Notes to the financial statements

for the year ended 30 June 2005

### 11 Debtors

	Group 2005 £m	Group 2004 Restated £m	LLP 2005 £m	LLP 2004 Restated £m
<b>Receivable within one year:</b>				
Client debtors	281	293	278	290
Due from overseas PricewaterhouseCoopers member firms	7	33	24	49
Trade debtors	288	326	302	339
Amounts owed by Group undertakings	–	–	–	6
Amounts due from members (note 6)	28	1	–	1
Other debtors	21	38	15	26
Prepayments	27	38	13	16
Accrued income	161	177	161	177
	<b>525</b>	<b>580</b>	<b>491</b>	<b>565</b>

Other debtors (Group) include £nil (2004 – £7m) corporation tax recoverable. Accrued income has been restated in accordance with the change in revenue recognition accounting policy described in note 1.

<b>Receivable after more than one year:</b>				
Other debtors	6	11	6	11
Prepayments – pension prepayments (note 19)	80	61	28	21
	<b>86</b>	<b>72</b>	<b>34</b>	<b>32</b>

Other debtors receivable after more than one year (Group and LLP) comprise loan notes falling due in annual instalments until April 2007, discounted to net present value.

<b>Total debtors</b>	<b>611</b>	<b>652</b>	<b>525</b>	<b>597</b>
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## 12 Creditors – amounts falling due within one year

	Group 2005	Group 2004 Restated	LLP 2005	LLP 2004 Restated
	£m	£m	£m	£m
Trade creditors	25	19	1	1
Amounts owed to Group undertakings	–	–	97	96
Other creditors including taxation and social security (see below)	87	76	11	16
Accruals	148	141	9	12
Deferred income	46	61	46	61
	<b>306</b>	<b>297</b>	<b>164</b>	<b>186</b>

Trade creditors (Group) include amounts owing to overseas PricewaterhouseCoopers member firms totalling £14m (2004 – £14m).  
Deferred income has been restated in accordance with the change in revenue recognition accounting policy described in note 1.

### Other creditors including taxation and social security comprise:

Corporation tax (2004 – £7m recoverable)	13	–	–	–
Other taxes and social security	53	51	–	–
Other creditors	21	25	11	16
	<b>87</b>	<b>76</b>	<b>11</b>	<b>16</b>

## 13 Commitments under operating leases

The Group's annual commitment under non-cancellable operating leases, together with the obligations by maturity, is as follows:

	2005 £m	2004 £m
<b>Land and buildings</b>		
Within one year	2	3
Between one and five years	15	4
Over five years	46	58
	<b>63</b>	<b>65</b>
<b>Other assets</b>		
Within one year	6	6
Between one and five years	3	4
	<b>9</b>	<b>10</b>
<b>Total</b>	<b>72</b>	<b>75</b>

## Notes to the financial statements

for the year ended 30 June 2005

### 14 Provisions for liabilities and charges

#### Group

	Deferred tax £m	Claims £m	Property £m	Total £m
Balance at beginning of year	13	47	39	99
Charged to profit and loss account	1	7	11	19
Released unused during the year	–	(5)	(1)	(6)
Cash payments	–	(6)	(11)	(17)
<b>Balance at end of year</b>	<b>14</b>	<b>43</b>	<b>38</b>	<b>95</b>

#### LLP

	Claims £m	Property £m	Total £m
Balance at beginning of year	47	33	80
Charged to profit and loss account	7	9	16
Released unused during the year	(5)	(1)	(6)
Cash payments	(6)	(10)	(16)
<b>Balance at end of year</b>	<b>43</b>	<b>31</b>	<b>74</b>

The provision for deferred tax comprises the following:

	2005 £m	2004 £m
Accelerated capital allowances	(1)	1
Timing differences in respect of movements in pension prepayments	15	12
	<b>14</b>	<b>13</b>
Provision at beginning of year	13	4
Deferred tax charge in profit and loss account (note 6)	1	9
<b>Provision at end of year</b>	<b>14</b>	<b>13</b>

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse. There is no unrecognised deferred tax and there are no significant factors which are expected to affect future tax charges apart from the origination and reversal of normal timing differences on fixed assets and creditors.

The 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.

A provision has been recognised for obligations under property contracts that are onerous, and to restore premises to their original condition upon vacating them. The provision has been estimated using current costs and has been discounted to present value at a rate of 5.00% (2004 – 5.75%). The provision covers residual lease commitments of up to 10 years and is after allowance for existing or expected sublet rental income.



## 15 Members' interests

### Group

	Members' other interests Restated (see note 1)			Loans and other debts due to (from) members (see below)	Total
	Members' capital	Other reserves	Total		
	£m	£m	£m	£m	£m
<b>Members' interests at 1 July 2003 as previously reported</b>	<b>95</b>	<b>277</b>	<b>372</b>	<b>1</b>	<b>373</b>
Prior year adjustment	–	77	77	–	77
<b>Members' interests at 1 July 2003 as restated</b>	<b>95</b>	<b>354</b>	<b>449</b>	<b>1</b>	<b>450</b>
Restated profit for the financial year ended 30 June 2004 available for division among members	–	399	399	–	399
Members' interests after profit for the year	95	753	848	1	849
Allocated profit	–	(387)	(387)	387	–
Introduced by members	9	–	9	–	9
Repayments of capital	(10)	–	(10)	–	(10)
Drawings and distributions	–	–	–	(388)	(388)
<b>Members' interests at 1 July 2004 as restated</b>	<b>94</b>	<b>366</b>	<b>460</b>	<b>–</b>	<b>460</b>
Profit for the financial year ended 30 June 2005 available for division among members	–	468	468	–	468
Members' interests after profit for the year	94	834	928	–	928
Allocated profit	–	(378)	(378)	378	–
Introduced by members	14	–	14	–	14
Repayments of capital	(8)	–	(8)	–	(8)
Drawings and distributions	–	–	–	(377)	(377)
Compensating payment due to subsidiary undertakings (note 6)	–	–	–	(28)	(28)
<b>Members' interests at 30 June 2005</b>	<b>100</b>	<b>456</b>	<b>556</b>	<b>(27)</b>	<b>529</b>

Members' interests at 1 July 2004 as restated include the prior year adjustment of £92m as described in note 1.

### Analysis of loans and other debts due to (from) members:

	2005 £m	2004 £m	2003 £m
Loans and other debts due to members	<b>1</b>	<b>1</b>	<b>1</b>
Amounts due from members included in Debtors (note 6)	<b>(28)</b>	<b>(1)</b>	<b>–</b>
	<b>(27)</b>	<b>–</b>	<b>1</b>

Loans and other debts due to members represent allocated profits not yet paid to members and are due within one year.

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.

## Notes to the financial statements

for the year ended 30 June 2005

### 15 Members' interests (continued)

In the event of a winding up, loans and other debts due to members rank equally with unsecured creditors; members' other interests rank after unsecured creditors and there is no additional protection afforded to creditors. Members' capital contributions are determined by the Management Board having regard, inter alia, 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.

#### LLP

	Members' other interests Restated (see note 1)			Loans and other debts due to (from) members (see below)	Total
	Members' capital	Other reserves	Total		
	£m	£m	£m	£m	£m
<b>Members' interests at 1 July 2003 as previously reported</b>	<b>95</b>	<b>266</b>	<b>361</b>	<b>1</b>	<b>362</b>
Prior year adjustment	–	77	77	–	77
<b>Members' interests at 1 July 2003 as restated</b>	<b>95</b>	<b>343</b>	<b>438</b>	<b>1</b>	<b>439</b>
Restated profit for the financial year ended 30 June 2004 available for division among members	–	395	395	–	395
Members' interests after profit for the year	95	738	833	1	834
Allocated profit	–	(387)	(387)	387	–
Introduced by members	9	–	9	–	9
Repayments of capital	(10)	–	(10)	–	(10)
Drawings and distributions	–	–	–	(388)	(388)
<b>Members' interests at 1 July 2004 as restated</b>	<b>94</b>	<b>351</b>	<b>445</b>	<b>–</b>	<b>445</b>
Profit for the financial year ended 30 June 2005 available for division among members	–	460	460	–	460
Members' interests after profit for the year	94	811	905	–	905
Allocated profit	–	(377)	(377)	377	–
Introduced by members	13	–	13	–	13
Repayments of capital	(8)	–	(8)	–	(8)
Drawings and distributions	–	–	–	(376)	(376)
<b>Members' interests at 30 June 2005</b>	<b>99</b>	<b>434</b>	<b>533</b>	<b>1</b>	<b>534</b>

Members' interests at 1 July 2004 as restated include the prior year adjustment of £92m as described in note 1.

#### Analysis of loans and other debts due to (from) members:

	2005 £m	2004 £m	2003 £m
Loans and other debts due to members	1	1	1
Amounts due from members (included in Debtors)	–	(1)	–
	<b>1</b>	<b>–</b>	<b>1</b>

## 16 Reconciliation of operating profit to net cash inflow from operating activities

	2005	2004 Restated
	£m	£m
Operating profit	469	405
Depreciation	39	45
Goodwill amortisation	3	2
Increase in provisions on investments	2	–
Decrease (increase) in debtors	62	(98)
(Decrease) in creditors	(4)	(19)
(Decrease) in provisions	(5)	(17)
<b>Net cash inflow from operating activities</b>	<b>566</b>	<b>318</b>

The relevant amounts for 2004 have been restated in accordance with the change in revenue recognition accounting policy described in note 1.

## 17 Analysis of cash flows

	2005	2004
	£m	£m
<b>Returns on investments and servicing of finance</b>		
Interest received	4	2
Interest paid	(2)	(1)
	<b>2</b>	<b>1</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(27)	(44)
Disposal of tangible fixed assets	3	5
Purchase of investments	–	(2)
Disposal of investments	–	7
	<b>(24)</b>	<b>(34)</b>
<b>Acquisitions and disposals</b>		
Final proceeds from sale of consulting business	–	49
Acquisition of subsidiaries	–	(1)
	<b>–</b>	<b>48</b>
<b>Transactions with members</b>		
Drawings and distributions to members	(377)	(388)
Capital contributions by members	14	9
Capital repayments to members	(8)	(10)
	<b>(371)</b>	<b>(389)</b>
<b>Management of liquid resources</b>		
(Increase) decrease in short-term deposits with banks	(156)	64
	<b>(156)</b>	<b>64</b>

## Notes to the financial statements

for the year ended 30 June 2005

### 18 Analysis of net funds

	At 1 July 2004 £m	Cash Flow £m	At 30 June 2005 £m
<b>Net Cash</b>			
Cash at bank and in hand	21	6	27
<b>Liquid resources</b>			
Short-term deposits with banks	44	156	200
<b>Net funds</b>	<b>65</b>	<b>162</b>	<b>227</b>

### 19 Pension costs

The Group operates both defined benefit and defined contribution pension arrangements for its staff. The schemes are funded and their assets are held separately from those of the Group. The pension costs are assessed by independent actuaries.

The most significant 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.

The following table sets out the principal data for these schemes:

	<b>PwC PF</b>	<b>DH&amp;S Plan</b>
Date of last actuarial review	31 March 2002	31 March 2002
Valuation method	Projected Unit	Attained Age
Amortisation method	Straight line	Straight Line
Average remaining service lives	9.5 years	12 years
Market value of assets at date of actuarial review	£465m	£246m
Assumptions:		
– Rate of return on investments, pre retirement	7.3%	7.25%
– Rate of return on investments, post retirement	5.8%	5.75%
– Salary increases	4.3%	4.3%
– Pension increases	2.8%	2.8%

Assets were valued at market value. As at the valuation dates these represented 98% and 90% of the benefits accrued to members, after having allowed for expected future increases in pensionable salaries, for the PwC PF and the DH&S Plan respectively.

## 19 Pension costs (continued)

In accordance with actuarial recommendations and as agreed with the trustees, the Group paid contributions of £34m in the year ending 30 June 2005. The contributions will be reviewed and reassessed following the next formal actuarial valuations of the schemes which are currently being performed with an effective date of 31 March 2005.

The total pension charge determined under SSAP24 for the Group including defined contribution schemes was £40m (2004 – £40m). An analysis of the balance sheet movement and charges for the schemes is shown below:

	PwC PF	DH&S Plan	Defined Contribution Schemes	Total
	£m	£m	£m	£m
Opening prepayment	(40)	(21)	–	(61)
Employer cash contributions	(22)	(12)	(25)	(59)
<b>Pension cost:</b>				
Regular cost	12	3	–	15
Variations from regular cost	(2)	2	–	–
Other costs	–	–	25	25
	10	5	25	40
<b>Closing prepayment</b>	<b>(52)</b>	<b>(28)</b>	<b>–</b>	<b>(80)</b>

### FRS17 additional disclosures requirements

For the purposes of the disclosure requirements under FRS17, informal valuations were carried out as at 31 March 2005 and rolled forward to 30 June 2005 by qualified independent actuaries using the projected unit method. The actuaries are Aon Consulting for the PwC PF and Mercer Human Resource Consulting for the DH&S Plan.

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 age 50 and 60. Under the requirements of FRS17, although the employees are not yet members of the PwC PF, a provision is required to be held in respect of the eligibility for future benefits. The cost of these benefits has been valued in accordance with FRS17 by the Group's in-house actuaries and included within the amounts for the PwC PF.

Since the PwC PF and the DH&S Plan are closed, the current service cost, as a percentage of relevant members' pay, is expected to increase gradually as the members approach retirement.

The major assumptions used by the actuaries for FRS17 purposes were:

	30 June 2005	30 June 2004	30 June 2003
Discount rate	5.00%	5.75%	5.25%
Rate of increase in salaries	3.75%	4.00%	3.75%
Rate of increase of pensions in payment	2.50%	2.75%	2.50%
Inflation	2.50%	2.75%	2.50%



## Notes to the financial statements

for the year ended 30 June 2005

### 19 Pension costs (continued)

The market value of assets in the schemes and the expected rates of return were:

	Long-term rate of return expected at 30 June 2005	Value at 30 June 2005 £m	Long-term rate of return expected at 30 June 2004	Value at 30 June 2004 £m	Long-term rate of return expected at 30 June 2003	Value at 30 June 2003 £m
Equities	7.45%	514	7.70%	437	7.75%	376
Bonds	4.50%	414	5.30%	351	4.80%	302
Cash	4.75%	20	4.50%	16	3.75%	6
		<b>948</b>		<b>804</b>		<b>684</b>

The following amounts were measured in accordance with the requirements of FRS17:

	2005			2004		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
Total market value of assets	619	329	948	524	280	804
Present value of scheme liabilities	(808)	(438)	(1,246)	(643)	(364)	(1,007)
Deficit in the scheme	(189)	(109)	(298)	(119)	(84)	(203)
Related deferred tax asset	57	–	57	36	–	36
<b>Net pension liability</b>	<b>(132)</b>	<b>(109)</b>	<b>(241)</b>	<b>(83)</b>	<b>(84)</b>	<b>(167)</b>

The PwC PF is accounted for in PricewaterhouseCoopers Services, a subsidiary corporate entity, which provides for corporation tax on a full provision basis. The DH&S Plan is accounted for in the entity LLP which does not provide for deferred income tax as this is the responsibility of the individual members.

If the above amounts had been recognised in the financial statements, the Group's net assets and reserves would be as follows:

	2005 £m	2004 Restated £m
Net assets excluding pension prepayment (see below)	491	411
Net pension liability	(241)	(167)
<b>Net assets including pension liability</b>	<b>250</b>	<b>244</b>
Members' other interests – other reserves excluding pension prepayment (see below)	391	317
Net pension liability	(241)	(167)
<b>Members' other interests – other reserves including pension liability</b>	<b>150</b>	<b>150</b>

The £80m pension prepayment (2004 – £61m) calculated under SSAP24 has been deducted from the assets and reserves in the preceding table, net of deferred tax.

## 19 Pension costs (continued)

The following amounts would have been recognised in the financial statements in the years to 30 June 2005 and 30 June 2004 under the requirements of FRS17:

	2005			2004		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
<b>Operating profit:</b>						
Current service cost	13	3	16	13	4	17
<b>Other finance income:</b>						
Expected return on pension scheme assets	36	18	54	30	16	46
Interest on pension scheme liabilities	(37)	(21)	(58)	(34)	(19)	(53)
<b>Net return</b>	<b>(1)</b>	<b>(3)</b>	<b>(4)</b>	<b>(4)</b>	<b>(3)</b>	<b>(7)</b>
<b>Statement of total recognised gains and losses (STRGL):</b>						
Actual return less expected return on pension scheme assets	46	24	70	17	1	18
Experience gains and losses arising on scheme liabilities	(13)	(7)	(20)	11	9	20
Changes in assumptions underlying the present value of scheme liabilities	(113)	(47)	(160)	42	6	48
<b>Actuarial (loss) gain recognised in STRGL</b>	<b>(80)</b>	<b>(30)</b>	<b>(110)</b>	<b>70</b>	<b>16</b>	<b>86</b>
<b>Movement in deficit over the year:</b>						
Deficit at beginning of year	(119)	(84)	(203)	(220)	(115)	(335)
Service cost	(13)	(3)	(16)	(13)	(4)	(17)
Contributions paid	24	11	35	48	22	70
Other financial income	(1)	(3)	(4)	(4)	(3)	(7)
Actuarial (loss) gain	(80)	(30)	(110)	70	16	86
<b>Deficit at end of year</b>	<b>(189)</b>	<b>(109)</b>	<b>(298)</b>	<b>(119)</b>	<b>(84)</b>	<b>(203)</b>

Details of experience gains and losses for the year:

	2005			2004			2003		
	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m	PwC PF £m	DH&S Plan £m	Total £m
<b>Difference between the expected and actual return on scheme assets:</b>									
Amount	46	24	70	17	1	18	(50)	(11)	(61)
Percentage of scheme assets	7%	7%	7%	3%	0%	2%	(11%)	(4%)	(9%)
<b>Experience gains and losses arising on the scheme liabilities:</b>									
Amount	(13)	(7)	(20)	11	9	20	2	–	2
Percentage of the present value of the scheme liabilities	(2%)	(2%)	(2%)	2%	2%	2%	0%	0%	0%
<b>Total amount recognised in statement of recognised gains and losses:</b>									
Amount	(80)	(30)	(110)	70	16	86	(126)	(58)	(184)
Percentage of the present value of the scheme liabilities	(10%)	(7%)	(9%)	11%	4%	9%	(19%)	(16%)	(18%)

## Notes to the financial statements

for the year ended 30 June 2005

### 20 Subsidiary undertakings

The consolidated financial statements report the results and financial position of the Group, including the principal subsidiary undertakings listed below. All company shareholdings are 100% and the companies are registered in England and Wales.

#### Company

PricewaterhouseCoopers Services  
PricewaterhouseCoopers (Resources)  
PricewaterhouseCoopers (Registration)  
Barbinder Freehold  
Coba Group Limited

#### Activity

Service company and employment of staff  
Employment of staff  
Employment of staff  
Property holding  
Mergers and acquisitions services

#### Limited Liability Partnership

PricewaterhouseCoopers CI LLP, formerly the business of  
PricewaterhouseCoopers Tax & Administration Services (Channel Islands)

#### Activity

Professional services

### 21 Financial Instruments

#### Treasury Risk Management

The Management Board determines the treasury function's operating policies. These policies, designed to manage risk, relate to specific risk areas that management wish to control including capital structure, financing, interest rate exposure and foreign currency exposure. The Group's most significant treasury exposures relate to liquidity. Sensitivity to both exchange and interest rate movements is small. No speculative trading is permitted by the policies and hedging is only permitted against underlying exposures in a manner which reduces risk.

#### Financial Instruments

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 Group requires members to provide long-term financing, including capital and undrawn profits. The principal financial instruments held or issued by the Group are:

- Cash – The Group's policy is to minimise the levels of cash held in order to reduce outstanding debt and maximise liquid fund deposits. Policies to control counter party risk determine how much can be deposited with different banks in the event of a cash surplus being available which cannot be utilised to reduce debt.
- 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 no requirement for long-term borrowings at 30 June 2005.
- Certain debtors, creditors and provisions which meet the definition of a financial instrument as set out in FRS13.

#### Liquidity Risk

The Group manages the risk of uncertainty in its funding operations by spreading the maturity profile of its borrowings. Committed facilities are arranged with a minimum headroom of 25% of forecast maximum debt levels. The Group's facilities at 30 June 2005 with six leading international banks amounted to £150m and are due to expire in January 2010.

#### 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 net foreign currency exposure. The Group's policy is to enter into forward or derivative transactions as soon as economic exposures are recognised.

## 21 Financial Instruments (continued)

### Interest rate risk

The Group's principal borrowings and any surplus cash balances are held at variable interest rates linked to LIBOR. Borrowings are all undertaken in sterling reflecting the composition of the Group's balance sheet, which includes only minor amounts of non-sterling assets and liabilities. The Group's policy requires that asset finance be undertaken without creating significant interest rate exposure. No interest rate derivatives have been used in the year or in the prior year.

The following disclosures exclude short-term debtors and creditors, as defined in FRS13, other than the currency risk disclosures.

### Liquidity and interest rate profile of financial liabilities

There were no material financial liabilities outstanding at 30 June 2005 (2004 – £nil).

### Undrawn borrowing facilities

Undrawn committed borrowing facilities available to the Group at 30 June 2005 totalled £150m (2004 – £128m). The current facilities expire in January 2010 (2004 – less than one year).

### Interest rate risk profile of financial assets

The Group held the following financial assets at 30 June 2005:

	2005 £m	2004 £m
Sterling cash at bank and in hand	27	21
Sterling short-term deposits with banks	200	44
Investments in PricewaterhouseCoopers entities overseas, denominated in US dollars	6	7
Other investments, all sterling and non-interest bearing	–	1
Long-term loan notes receivable, sterling and non-interest bearing	5	8
Long-term loan notes receivable, US dollars interest bearing	1	3
	<b>239</b>	<b>84</b>

The sterling cash at bank and the short-term bank deposits are held at floating rates based on LIBOR.

The investments denominated in US dollars comprise £3m (2004 – £3m) which is non-interest bearing. The remaining £3m (2004 – £4m) represents subordinated debt earning interest at a rate of 3.476%. The interest rate risk profile is shown after taking account of any currency swaps used to manage the currency profile.

The long-term US dollar loan note receivable earns interest at 3.476%.

## Notes to the financial statements

for the year ended 30 June 2005

### 21 Financial Instruments (continued)

#### Fair value of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Group's financial assets and financial liabilities as at 30 June 2005. All financial instruments held or issued for trading purposes are carried in the financial statements at cost less provision for impairment. Fair values for investments denominated in US dollars have been calculated at year-end exchange rates. Fair values for cash and debt have been calculated by discounting expected future cash flows at prevailing interest rates and approximate to book value owing to the short maturity of these instruments.

	2005 Book value £m	2005 Fair value £m	2004 Book value £m	2004 Fair value £m
Investments	6	6	8	7
Long-term loan notes receivable	1	1	11	11
Cash at bank and in hand	27	27	21	21
Short-term deposits with banks	200	200	44	44
Other creditors	–	–	–	–
Derivative financial instruments held to manage the currency profile:				
Currency rate-related derivatives – see Gains and losses on hedges below	–	–	–	(2)

#### Currency Exposures

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 debtors and liabilities, the Group had net US dollar denominated assets of £15m (2004 – £8m) and net Euro denominated assets of £5m (2004 – £9m) at 30 June 2005.

#### Gains and losses on hedges

The table below shows the extent to which the Group has off balance sheet (unrecognised) gains and losses in respect of hedges at the beginning and end of the year. There were no on balance sheet (deferred) gains and losses in respect of hedges at the beginning and end of the year.

	Unrecognised gains £m	Unrecognised losses £m	Unrecognised net gains (losses) £m
Gains and losses at beginning of year	–	(2)	(2)
Arising in previous years included in current year profit	–	2	2
Not included in current year arising in previous years	–	–	–
Arising in current year	1	(1)	–
<b>Gains and losses at end of year</b>	<b>1</b>	<b>(1)</b>	<b>–</b>
Of which:			
Gains and losses expected to be included within one year	–	(1)	(1)
Gains and losses expected to be included after one year	1	–	1



## 22 Contingent liabilities

The Group's policy with regard to claims which may arise in connection with disputes in the ordinary course of business is described in note 1 on Provisions.

PricewaterhouseCoopers LLP guarantees the bank borrowings of subsidiary companies which are included in the consolidated balance sheet. At the year end, subsidiary company bank borrowings were nil (2004 – £nil). Apart from those guarantees, there were no material contingent liabilities.

## 23 Related party transactions

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

### **Leases not yet novated to PricewaterhouseCoopers LLP**

Following the transfer of business on establishment of the LLP on 1 January 2003, certain leases have not yet been novated to the LLP pending receipt of third party consents. Arrangements are in place for PricewaterhouseCoopers LLP to deal with these leases from day to day. No charge is made for these arrangements and no amounts were due to or by PricewaterhouseCoopers LLP at 30 June 2005 (2004 – £nil) under these arrangements.

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

Arrangements are in place for PricewaterhouseCoopers LLP to supply services to PricewaterhouseCoopers United Kingdom Partnership in connection with certain client assignments continuing in the partnership. For the year ended 30 June 2005 PricewaterhouseCoopers LLP provided services to the PricewaterhouseCoopers United Kingdom Partnership to the value of £393,000 (2004 – £305,000) under these arrangements; all amounts were settled during the year and there were no balances outstanding at the year end.

### **Administrative support to PricewaterhouseCoopers United Kingdom Partnership**

On behalf of its members, PricewaterhouseCoopers LLP provides certain administrative services to support PricewaterhouseCoopers United Kingdom Partnership, including the calculation of annuities and paying agent arrangements in connection with the pension annuities due to certain former partners of the predecessor partnership. PricewaterhouseCoopers LLP charged PricewaterhouseCoopers United Kingdom Partnership £200,000 for these support services for the year ended 30 June 2005 (2004 – £200,000); which was received during the year, with no amounts outstanding at year end. Amounts paid during the year to the annuitants on behalf of the continuing members in their capacity as partners in the predecessor partnership, PricewaterhouseCoopers United Kingdom Partnership, totalled £43m (2004 – £40m).



The leaders of the firms in the PwC network meet annually to discuss strategy and plans and review progress. The 2005 meeting was held in Beijing.

## Membership of the PricewaterhouseCoopers global network

PricewaterhouseCoopers LLP along with other member firms, is a member of PricewaterhouseCoopers International Limited, a company limited by guarantee registered in England. Each member firm is legally separate, locally owned and locally managed.

This configuration also reflects the fact that in most parts of the world regulatory authorities grant the right to practise accountancy to national firms in which locally qualified professionals have at least majority ownership and control.

Upon joining the PricewaterhouseCoopers global network and becoming members of PricewaterhouseCoopers International Limited, member firms have the right to use the PricewaterhouseCoopers name and gain access to its common resources, methodologies, knowledge and expertise.

In return, each firm is bound to abide by certain common policies and maintain agreed standards. This arrangement confers significant strengths – a coherent global vision combined with a robust local identity, an understanding of both local and global markets and the responsibility that goes with local ownership.

## Embracing consistently high standards

We embrace the principles and practices that create and safeguard the quality exemplified in the

PricewaterhouseCoopers brand.

These are underpinned by common methodologies, processes, knowledge bases and technologies, shared values and ethics.

We encourage the sharing of experience and industry knowledge by applying Connected Thinking to add value for our clients across our global network.

## Contributing to the global network

In the UK we both benefit from and contribute to the PricewaterhouseCoopers global network. In addition to our sharing of knowledge and expertise, Andrew Ratcliffe chaired the Global Board throughout the year and other UK partners fulfilled a number of roles in the global Leadership Team: Kieran Poynter (representing the UK territory), Amyas Morse (Operations), Paul Boorman (Tax) and Alec Jones (Industries).

Within our top 350 global accounts, 35 of the audit and 33 of the non-audit clients are led by UK partners. UK partners also contribute to the PwC network Global Relationship Partner programme, which develops partners to lead our very largest global clients.

## Benefiting our clients

Our clients have access to industry and other specialists from across the member firms. The PeopleFind service, developed originally by the UK firm, enables us to put clients in touch with PwC specialists from around the world.

# Connecting the global network



Kieran Poynter with Sam DiPiazza, CEO of PricewaterhouseCoopers International Limited

Just as we encourage diversity in our UK business to broaden our outlook and create better solutions for our clients, so we benefit from participation in a network that truly reflects the diversity of the global community.

## **Attributes of Connected Thinking**

- Looking at issues from a number of angles
- Understanding clients' businesses and industries in depth and as a whole
- Assessing the impact of decisions on all parties over the short and long term
- Applying learning from other industries
- Connecting with others who have more or different experience
- Considering the ethical dimensions of our actions
- Seeking help outside our offices and countries
- Bringing a fresh perspective

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

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