

# PricewaterhouseCoopers LLP

Members' report and financial statements  
for the financial year ended 30 June 2019

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## Members' report for the financial year ended 30 June 2019

The members present their report and the audited consolidated financial statements of PricewaterhouseCoopers LLP ('the LLP') and its subsidiary undertakings (together 'the Group') for the financial year ended 30 June 2019.

### Principal activities

The principal activity of the LLP and the Group is the provision of professional services.

### Governance

The governance structure of the LLP primarily comprises the following:

- A Management Board, consisting of members of the Executive Board and Clients and Markets Executive, responsible for the policies, strategy, direction and management of the LLP. The Management Board is assisted by:
  - An Executive Board responsible for the execution of the policies, strategy and management of the LLP.
  - A Clients and Markets Executive responsible for overseeing the LLP's client-facing and market activities.
  - An International Committee responsible for decision making in relation to and oversight of the LLP's strategic alliances, matters relating to regionalisation and approval of any matters relating to the PwC global network.
  - An Investment Committee which supports growth of the LLP by providing governance for investments, including acquisitions, joint ventures and disposals.
  - A Partner Matters Committee responsible for certain member human resource matters.
  - A Client Committee, a committee of the Clients and Markets Executive, which considers engagement or client acceptance decisions.
  - An Executive Risk Committee responsible for maintaining an effective risk framework and overseeing and challenging the management of risk across the LLP.
- A Supervisory Board which considers, reviews and gives guidance to the Management Board on matters which the Supervisory Board considers to be of concern to the members, having regard to the interests and wellbeing of the LLP as a whole. The Audit Committee, a committee of the Supervisory Board, monitors and reviews the integrity of the Group's financial statements.
- A Public Interest Body responsible for considering the public interest aspects of the LLP.

### Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of the LLP during the whole of the financial year ended 30 June 2019 were Kevin Ellis, Warwick Hunt and Kevin Burrows.

### Members' capital

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions totalling £263m (2018: £266m) are determined by the Executive Board with the approval of the Supervisory Board, having regard to the working capital needs of the business. They are set by reference to an individual member's equity unit profit share and are repayable following the member's retirement.

### Members' profit shares and drawings

Members receive a distribution out of the profits of the LLP after adjusting for their obligations to make annuity payments to certain former partners and other equity adjustments. The final allocation and distribution of profit to individual members is made by the Executive Board once their individual performance has been assessed and the annual financial statements have been approved. The Supervisory Board approves the process and oversees its application.

Each member's profit share comprises three interrelated components dependent upon the overall profitability of the LLP:

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

Each member's performance income, which in the current financial year represents on average approximately 35% of their profit share (2018: 38%), is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the member's role. These objectives include ensuring the delivery of quality services, managing risk effectively and maintaining independence and integrity. There is transparency among the members over the total income allocated to each individual.

The overall policy for members' monthly drawings is to advance a proportion of the profit during the financial year, taking into account the need to maintain sufficient funds to settle members' income tax liabilities and to finance the working capital and other needs of the business. The Executive Board, with the approval of the Supervisory Board, sets the level of members' monthly drawings, based on a percentage of their individual responsibility income.

### Going concern

The Executive Board has a reasonable expectation that the LLP 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 consolidated financial statements.

## Members' report continued

### Statement of members' responsibilities in respect of the financial statements

The Companies Act 2006, as applied to limited liability partnerships, requires members to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of both the LLP and the Group, and of the profit or loss of the Group for that financial 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 assume that the LLP or the Group will continue in business.

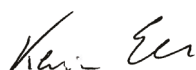
The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006, as applied to limited liability partnerships.

The members are also responsible for safeguarding the assets of the LLP and the Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are fulfilled by the Executive Board on behalf of the members.

The Executive Board confirms that it has complied with the above requirements in preparing the financial statements.

Signed on 4 September 2019 on behalf of the Executive Board by:



Kevin Ellis  
Chairman and Senior Partner



Warwick Hunt  
Managing Partner and Chief Operating Officer

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

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of PricewaterhouseCoopers LLP ('the LLP') and its subsidiaries (together 'the Group') for the financial year ended 30 June 2019, which comprise:

- the consolidated income statement and consolidated statement of comprehensive income of the Group for the financial year ended 30 June 2019;
- the statements of financial position of the Group and the LLP at 30 June 2019;
- the statements of cash flows and statements of changes in equity of the Group and the LLP for the financial year ended 30 June 2019; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union and, as regards the LLP's financial statements, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the LLP's affairs at 30 June 2019 and of the Group's profit and of the Group's and the LLP's cash flows for the financial year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the LLP's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships; and
- the Group's and the LLP's financial statements have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described below in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the LLP's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

#### Overview of our audit approach

##### Materiality

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

Based on our professional judgement, we determined overall materiality for the Group's and the LLP's financial statements as a whole to be £35m (2018: £32.5m) and £32.5m (2018: £31m) respectively. In determining this, we have given specific focus and weighting to the benchmarks in respect of revenue (0.75% of Group and LLP revenue) and profit for the financial year (5% of Group and LLP profit for the financial year).

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions and members' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £0.5m (2018: £0.5m). Errors below that threshold would also be reported if, in our opinion as auditor, disclosure was required on qualitative grounds.

##### Overview of the scope of our audit

The financial reporting function for the Group and its material subsidiaries is centralised in one operating location in the UK, with the exception of the Middle East group of subsidiaries. Our audit was conducted from the main operating location and all material subsidiaries, including the Middle East group of subsidiaries, were within the scope of our audit testing.

For the Middle East group of subsidiaries, in order to obtain sufficient audit evidence for the purposes of our audit opinion, a member firm of the Crowe Global network undertook specified audit procedures in the Middle East under our direction and supervision. We planned the work following a series of planning meetings with local management and the component auditor. We visited the Middle East three times, once to perform direct audit procedures in areas of higher risk and twice to review the work of the component auditor and discuss matters with local management and the component auditor.

**Key audit matters**

In preparing the financial statements, the Executive Board, on behalf of the members, made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We focused our work primarily on these areas by assessing the Executive Board's judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements. We also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by the Executive Board, which may represent a risk of material misstatement, especially in areas of critical accounting estimates and key judgements as outlined in note 1.

Key audit matters are those matters we identified that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year and included the most significant assessed risks of material misstatement, whether or not due to fraud. These matters are those that had the greatest effect on the overall audit strategy, the allocation of resources on the audit and on directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

In determining the key audit matters we noted that there have been no changes in the Group's overall operations during the financial year that significantly impacted upon our audit. While not impacting the Group's operations, the adoption of IFRS 15 'Revenue from contracts with customers' did impact our work on revenue recognition and the valuation of contract assets as set out in the key audit matters below. Our assessment of the most significant risks of material misstatement and resulting key audit matters are as detailed below.

These key audit matters relate to both the Group and the LLP. This is not a complete list of all risks identified by our audit.

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Key audit matter

How the scope of our audit addressed the key audit matter

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Revenue recognition and the valuation of contract assets

During the financial year the Group adopted IFRS 15 'Revenue from contracts with customers'.

The Group enters into a broad range of client contract types. The timing of revenue recognition on these contracts is dependent on the fulfilment of contractual terms that can be complex and involve subjective judgements on contract completeness and recoverability. Estimates are also required in assessing the fair value of contract assets.

Revenue recognition and the valuation of contract assets are included within note 1 as areas of critical accounting estimate and key judgement. The accounting policy for revenue is outlined in note 2. The disclosure of contract assets and contract liabilities is included within notes 13 and 15 respectively.

We selected a sample of client assignments focusing on material contracts and contracts that met certain identified risk criteria. Our testing focused on ensuring that revenue was recognised in accordance with the accounting policy and included obtaining details of the underlying contract, agreeing key engagement terms regarding enforceable rights to payment for work performed to date, obtaining evidence of fulfilment and the justification for the stage of completeness.

As part of our work we challenged a range of areas including whether identified performance obligations were distinct, performance obligations had been satisfied for revenue recognised, the right to payment for work performed to date was enforceable in certain situations, assessments of costs to complete were appropriate and consistent with other evidence and whether the Group was acting as principal or agent.

We found no material misstatements arising from our testing.

We consider the disclosure in note 2 to the financial statements to be appropriate having given specific regard to this being an area of critical accounting estimate and key judgement.

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Provisions for claims and regulatory proceedings

Disputes arise in the normal course of business. We focused on this area because of the potential financial impact that a major claim or regulatory proceeding could have on the Group and because of the uncertainties involved, including the need to exercise judgement.

Provisions in respect of claims and regulatory proceedings are included within note 1 as an area of critical accounting estimate. The disclosure of provisions for claims and regulatory proceedings is included in note 18.

We met with the Group's General Counsel to discuss claims and actions by regulatory bodies. We examined these matters and considered the processes for ensuring the completeness of the reporting of claims and for assessing the risk of unrecorded claims. We examined the Group's insurance arrangements and considered the impact of those terms and the level of cover on the provisions made.

We consider the estimates made by management in determining the provisions for claims and regulatory proceedings to be reasonable in light of the evidence available to the date of this report.

We consider the disclosure in note 18 to the financial statements to be appropriate having given specific regard to this being an area of critical accounting estimate.

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### **Other information**

The members are responsible for the other information. The other information comprises the members' report, which is published with the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the members' report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the members' report and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the members' report. If, based on the work we have performed, we conclude that there is a material misstatement of the members' report, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have no exceptions to report in respect of the following matters which the Companies Act 2006, as applied to limited liability partnerships, requires us to report to you if, in our opinion:

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

### **Responsibilities of the members for the financial statements**

As explained more fully in the Statement of members' responsibilities in respect of the financial statements set out on page 3, the members are responsible for the preparation of the Group's and the LLP's financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Group's and the LLP's ability to continue as a going concern and for using the going concern basis of accounting unless the members either intend to liquidate the Group or the LLP or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is set out on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body for our audit work, for this report, or for the opinions we have formed.

*M Stallabrass*

Matthew Stallabrass  
(Senior Statutory Auditor)

for and on behalf of  
**Crowe U.K. LLP**  
Statutory Auditor  
London

4 September 2019

## Consolidated income statement for the financial year ended 30 June 2019

	Note	2019 £m	2018 £m	Increase
Revenue	2	4,233	3,764	12%
Expenses and disbursements on client assignments		(584)	(484)	
<b>Net revenue</b>		<b>3,649</b>	<b>3,280</b>	<b>11%</b>
Staff costs	3	(1,816)	(1,628)	
Depreciation, amortisation and impairment of non-financial assets	4	(56)	(64)	
Other operating charges	4	(685)	(616)	
Gain on disposal of property asset	4	–	32	
Net impairment losses on financial assets	13	(15)	(10)	
<b>Operating profit</b>		<b>1,077</b>	<b>994</b>	<b>8%</b>
Finance income	5	7	2	
Finance expense	5	(8)	(9)	
<b>Profit on ordinary activities before taxation</b>		<b>1,076</b>	<b>987</b>	<b>9%</b>
Tax expense in subsidiary entities	6	(60)	(52)	
<b>Profit for the financial year</b>		<b>1,016</b>	<b>935</b>	<b>9%</b>
Profit for the financial year attributable to:				
Members	23	875	818	7%
Non-controlling interests	23	141	117	21%
<b>Profit for the financial year</b>		<b>1,016</b>	<b>935</b>	<b>9%</b>

## Consolidated statement of comprehensive income for the financial year ended 30 June 2019

	Note	2019 £m	2018 £m
<b>Profit for the financial year</b>		<b>1,016</b>	<b>935</b>
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	25	(2)	1
Translation of foreign operations	23	1	2
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefits	22	(43)	125
<b>Other comprehensive (expense) income for the financial year</b>		<b>(44)</b>	<b>128</b>
<b>Total comprehensive income for the financial year</b>		<b>972</b>	<b>1,063</b>
Total comprehensive income for the financial year attributable to:			
Members		831	944
Non-controlling interests		141	119
<b>Total comprehensive income for the financial year</b>		<b>972</b>	<b>1,063</b>

Cash flow hedges are disclosed net of tax in the consolidated statement of comprehensive income. There is no tax on any other component of other comprehensive (expense) income.



## Statements of financial position at 30 June 2019

		Group		LLP	
	Note	2019 £m	2018 £m	2019 £m	2018 £m
<b>Non-current assets</b>					
Property, plant and equipment	8	182	182	–	–
Goodwill	9	79	79	6	6
Other intangible assets	9	18	24	–	–
Investments in subsidiaries	10	–	–	57	57
Interests in jointly controlled entities and associates	11	3	3	–	–
Other investments	12	113	94	62	51
Deferred tax assets	21	5	4	–	–
Retirement benefit assets	22	82	103	82	103
		482	489	207	217
<b>Current assets</b>					
Trade and other receivables	13	1,440	1,304	1,052	1,006
Cash and cash equivalents	14	289	218	252	172
		1,729	1,522	1,304	1,178
<b>Total assets</b>		<b>2,211</b>	<b>2,011</b>	<b>1,511</b>	<b>1,395</b>
<b>Current liabilities</b>					
Trade and other payables	15	(1,009)	(901)	(758)	(648)
Tax in subsidiary entities		(55)	(33)	–	–
Borrowings	16	(47)	(88)	–	–
Provisions	18	(1)	(1)	–	–
Members' capital	19	(14)	(12)	(14)	(12)
		(1,126)	(1,035)	(772)	(660)
<b>Non-current liabilities</b>					
Provisions	18	(66)	(70)	(22)	(27)
Deferred tax liabilities	21	(2)	–	–	–
Members' capital	19	(249)	(254)	(249)	(254)
Other non-current liabilities	20	(98)	(89)	–	–
		(415)	(413)	(271)	(281)
<b>Total liabilities</b>		<b>(1,541)</b>	<b>(1,448)</b>	<b>(1,043)</b>	<b>(941)</b>
<b>Net assets</b>		<b>670</b>	<b>563</b>	<b>468</b>	<b>454</b>
<b>Equity</b>					
Members' reserves	23	671	592	468	454
Non-controlling interests	23	(1)	(29)	–	–
<b>Total equity</b>		<b>670</b>	<b>563</b>	<b>468</b>	<b>454</b>
<b>Members' interests</b>					
Members' capital	19	263	266	263	266
Members' reserves	23	671	592	468	454
<b>Total members' interests</b>	23	<b>934</b>	<b>858</b>	<b>731</b>	<b>720</b>

The exemption under section 408 of the Companies Act 2006 from presenting the LLP's income statement has been taken. The LLP's profit for the financial year ended 30 June 2019 was £809m (2018: £798m).

The financial statements on pages 7 to 51 were authorised for issue and signed on 4 September 2019 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC303525, by:



Kevin Ellis  
Chairman and Senior Partner



Warwick Hunt  
Managing Partner and  
Chief Operating Officer

## Statements of cash flows for the financial year ended 30 June 2019

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
<b>Cash flows from operating activities</b>				
Profit for the financial year	1,016	935	809	798
Tax on profits	60	52	-	-
Adjustments for:				
Depreciation, amortisation and impairment of non-financial assets	56	64	-	2
Gain on disposal of property asset	-	(32)	-	-
Foreign-exchange movements on other investments	(2)	2	-	-
Remeasurement losses on other investments	2	-	1	-
Income from investments	-	-	(43)	(87)
Finance income	(7)	(2)	(4)	(2)
Finance expense	8	9	-	2
Changes in working capital (excluding the effects of acquisitions):				
Increase in trade and other receivables	(135)	(106)	(46)	(143)
Increase in trade and other payables	106	140	110	154
Increase (decrease) in provisions and other non-current liabilities	3	(18)	(5)	(11)
Movement in retirement benefits	(19)	(28)	(19)	(28)
<b>Cash generated from operations</b>	<b>1,088</b>	<b>1,016</b>	<b>803</b>	<b>685</b>
Tax paid by subsidiary entities	(37)	(48)	-	-
<b>Net cash inflow from operating activities</b>	<b>1,051</b>	<b>968</b>	<b>803</b>	<b>685</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(45)	(51)	-	-
Proceeds from sale of property, plant and equipment	-	38	-	-
Purchase of intangible assets	(3)	(10)	-	-
Purchase of other businesses (net of cash acquired)	-	(4)	-	-
Purchase of other investments	(18)	(43)	(11)	(13)
Purchase of interests in jointly controlled entities and associates	(2)	(2)	-	-
Distributions received from jointly controlled entities and associates	1	1	-	-
Interest received	4	2	1	2
Income received from investments	-	-	43	87
<b>Net cash (outflow) inflow from investing activities</b>	<b>(63)</b>	<b>(69)</b>	<b>33</b>	<b>76</b>
<b>Cash flows from financing activities</b>				
Payments to members	(753)	(662)	(753)	(662)
Payments to non-controlling interests	(114)	(105)	-	-
Interest paid	(6)	(6)	-	-
Proceeds from borrowings	162	231	-	-
Repayment of borrowings	(210)	(249)	-	-
Capital contributions by members	24	58	24	58
Capital repayments to members	(27)	(23)	(27)	(23)
<b>Net cash outflow from financing activities</b>	<b>(924)</b>	<b>(756)</b>	<b>(756)</b>	<b>(627)</b>
<b>Net increase in cash and cash equivalents</b>	<b>64</b>	<b>143</b>	<b>80</b>	<b>134</b>
Cash and cash equivalents at beginning of financial year	218	75	172	38
<b>Cash and cash equivalents at end of financial year (note 14)</b>	<b>282</b>	<b>218</b>	<b>252</b>	<b>172</b>

## Statements of changes in equity for the financial year ended 30 June 2019

	Available for division among members £m	Attributable to non-controlling interests £m	Group Total £m	LLP Total £m
Balance at beginning of prior financial year (note 23)	310	(43)	267	193
Profit for the financial year	818	117	935	798
Other comprehensive income for the financial year	126	2	128	125
<b>Total comprehensive income</b>	<b>944</b>	<b>119</b>	<b>1,063</b>	<b>923</b>
Allocated profit in the financial year	(662)	(105)	(767)	(662)
Transactions with owners	(662)	(105)	(767)	(662)
Balance at end of prior financial year (note 23)	592	(29)	563	454
Remeasurement on adoption of IFRS 9 'Financial instruments' on 1 July 2018	1	1	2	1
Profit for the financial year	875	141	1,016	809
Other comprehensive expense for the financial year	(44)	–	(44)	(43)
<b>Total comprehensive income</b>	<b>831</b>	<b>141</b>	<b>972</b>	<b>766</b>
Allocated profit in the financial year	(753)	(114)	(867)	(753)
Transactions with owners	(753)	(114)	(867)	(753)
Balance at end of financial year (note 23)	671	(1)	670	468

## **Notes to the financial statements for the financial year ended 30 June 2019**

### **1 Basis of preparation**

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

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretation Committee ('IFRIC') interpretations, as adopted by the European Union ('EU'), together with those parts of the Companies Act 2006 applicable to limited liability partnerships ('LLPs') reporting under IFRS.

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the financial years presented, with the exception of the policies affected by the transition to IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' as detailed below.

The financial statements have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

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

#### **New standards and interpretations adopted in the financial year**

##### **IFRS 9 'Financial instruments'**

On 1 July 2018, the Group adopted IFRS 9 which replaces IAS 39 'Financial instruments: recognition and measurement'. The new standard addresses the classification, measurement, impairment and de-recognition of financial instruments and includes new hedge accounting requirements.

IFRS 9 introduces three categories of financial instruments being: fair value through profit and loss, fair value through other comprehensive income and amortised cost. There were previously four categories under IAS 39 being: fair value through profit and loss, available-for-sale, loans and receivables and held-to-maturity. An analysis of the Group's financial instruments by category and a description of the key changes to their classification and measurement as a result of the adoption of IFRS 9 are provided in notes 12 and 25.

IFRS 9 has also introduced a new model for impairment which is based on assessing changes in credit quality from the initial recognition of a financial instrument. The model requires expected credit losses to be determined, being a probability-weighted estimate of the difference between the cash flows that are due in accordance with the contract and the cash flows that are expected to be received. As a result, the Group has implemented a forward-looking credit loss model in contrast to the historical incurred credit loss model previously applied under IAS 39.

There have been no changes in the measurement bases for the Group's financial liabilities as a result of the adoption of IFRS 9.

The Group has adopted the new hedge accounting requirements of IFRS 9. These have not changed the classification or measurement of the Group's hedging instruments. On adoption, there was no impact on the effectiveness of existing hedges or adjustment required to opening reserves. The Group has revised its hedge documentation to ensure compliance with IFRS 9.

In accordance with IFRS 9, the Group has not restated comparative information but has adjusted opening reserves at 1 July 2018 for the cumulative impact of the change to the new standard. This cumulative impact has been to increase the Group's and the LLP's opening reserves at 1 July 2018 by £2m and £1m respectively. This comprises an increase in opening reserves of £1m for the Group and £1m for the LLP relating to changes in the classification and measurement of financial assets (note 12) and an increase of £1m for the Group relating to the introduction of the new impairment model (note 13).

## Notes to the financial statements continued

### 1 Basis of preparation continued

#### **New standards and interpretations adopted in the financial year continued**

##### **IFRS 15 'Revenue from contracts with customers'**

On 1 July 2018, the Group adopted IFRS 15 which replaces IAS 18 'Revenue' and IAS 11 'Construction contracts'. The new standard establishes a comprehensive framework for revenue recognition based on a five-step model, covering both services and goods.

Detailed assessments carried out by the Group have shown that the adoption of the five-step model does not significantly alter the timing or value of revenue recognised by the Group as the principles of the new standard align closely with the Group's previous revenue recognition policy. A number of additional disclosures are required under IFRS 15, which are presented in note 2.

In implementing IFRS 15, the Group adopted the modified retrospective approach, which requires opening reserves at 1 July 2018 to be adjusted for the cumulative impact of the change to the new standard. The Group has elected to apply a practical expedient which permits IFRS 15 to be applied only to contracts that were not completed at 1 July 2018. Assessments performed have shown that no adjustments are required to opening reserves at 1 July 2018 as the revenue recognised up to that date would not have been different had IFRS 15 been applied. The assessments have also shown that there would not have been a material impact on the financial statements for the financial year ended 30 June 2019 had IAS 18 and IAS 11 been applied in their preparation.

##### **Other standards and interpretations**

The Group also adopted 'Annual improvements to IFRSs 2014-2016 cycle' and IFRIC 22 'Foreign currency transactions and advance consideration'. These changes have not had a material impact on the financial statements.

##### **New standards and interpretations not yet adopted**

There are a number of IFRS standards, amendments and IFRIC interpretations that have been issued by the International Accounting Standards Board ('IASB') that will require future adoption.

The most significant of these to the Group's activities is IFRS 16 'Leases' which replaces IAS 17 'Leases' and addresses the definition, recognition and measurement of leases. The key change arising from IFRS 16 is that most operating leases will be accounted for on-balance sheet as a right-of-use asset and a lease liability based on discounted future lease payments. The asset will be depreciated over its useful economic life while lease payments will be apportioned between a capital repayment of the lease liability and a finance charge. IFRS 16 will become effective for the accounting period to 30 June 2020.

Under the modified retrospective transition approach, IFRS 16 permits a choice on initial adoption, on a lease-by-lease basis, to measure the right-of-use asset at either the carrying amount had IFRS 16 been adopted since the commencement of the lease or at the amount equal to the lease liability adjusted for accrued and prepaid amounts. The Group has elected the latter approach.

On 1 July 2019, the Group has recognised lease liabilities of £638m and corresponding right-of-use assets of equal value. The Group has also released accrued and prepaid rentals, deferred lease acquisition costs and accrued onerous lease costs, which netted to £51m on transition. In accordance with IFRS 16, this release has been taken as an adjustment to the initial value of the right-of-use assets, which reduced to £587m. The adoption of IFRS 16 did not result in a change in the Group's net asset position on 1 July 2019.

In the financial year to 30 June 2020, depreciation on the right-of-use assets and finance charges on the lease liabilities are expected to total £89m. Had the Group continued to account for operating lease charges under IAS 17 in the financial year to 30 June 2020, the expected income statement charge would have been £83m.

Other issued IFRS standards, amendments and IFRIC interpretations which have not been early adopted and are not expected to have a material impact on the Group are:

- Amendments to IFRS 9 'Financial instruments', 'Annual improvements to IFRSs 2015-2017 cycle', IAS 19 'Employee benefits – plan amendment, curtailment or settlement', IAS 28 'Investments in associates' and IFRIC 23 'Uncertainty over income tax treatments' will become effective for the accounting period to 30 June 2020.
- Amendments to IFRS 3 'Business combinations' and IAS 1 and IAS 8 'Definition of material' will become effective for the accounting period to 30 June 2021, subject to EU endorsement.
- IFRS 17 'Insurance contracts' will become effective for the accounting period to 30 June 2022, subject to EU endorsement.

## Notes to the financial statements continued

### 1 Basis of preparation continued

#### Critical accounting estimates and key judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent assets and liabilities.

The estimates and judgements are continually evaluated and are based on historical experience and other factors, including market data and expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates and adjustments could be required to be made to the carrying value of assets and liabilities. Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued.

Set out below is a summary of the critical accounting estimates that could have a significant effect on the Group's financial results:

- Valuation of contract assets (note 13) and contract liabilities (note 15) – estimating the stage of contract completion, including estimating the costs still to be incurred and assessing the likely engagement outcome. A 5% variance in contract assets would result in a change in revenue of £23m.
- Provisions for claims and regulatory proceedings (note 18) – assessing the probable outcome of claims and regulatory proceedings and estimating the level of costs likely to be incurred in defending and concluding such matters.
- Defined benefit schemes (note 22) – determining the actuarial assumptions to be applied in estimating the defined benefit obligation for each scheme, with the key actuarial assumptions being discount rate, inflation and life expectancy.

Set out below is a summary of the key judgements in applying the Group's accounting policies that could have a significant effect on the Group's financial results:

- Revenue recognition (note 2) – assessing the revenue recognition basis for client engagements, including the allocation of revenue to each performance obligation, and the recoverability of contract assets.
- Recognition of defined benefit surplus (note 22) – assessing the extent to which the value of the defined benefit surplus can be recognised in the statement of financial position. In accordance with IAS 19 'Employee benefits' and IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements', the full value of any calculated surplus is currently recognised as the Group has an unconditional right to refund, assuming the gradual settlement of the schemes' liabilities over time until all members have left the schemes. The IASB has published an exposure draft to amend IFRIC 14 and, had this amendment been in force in its current form at 30 June 2019, there may have been a material reduction in the value of the defined benefit surplus recognised.

Further details of significant estimates and judgements are set out in the related notes to the financial statements.

#### Consolidation

Subsidiary undertakings are entities over which the Group has control. Control is defined as the power to direct the entity's relevant activities, exposure to variable returns from involvement with the entity and the ability to use this power to affect the amount of the returns. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. On consolidation, intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiary undertakings have been amended where necessary to ensure consistency with the policies adopted by the Group.

#### Foreign currencies

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

For the purpose of these consolidated financial statements, the results and financial position of each subsidiary undertaking are expressed in sterling, which is the functional currency of the LLP and the presentation currency for the financial statements.

The assets and liabilities of the Group's foreign undertakings are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on consolidation on the retranslation of foreign undertakings are recognised in other comprehensive income.

#### Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## Notes to the financial statements continued

### 2 Revenue

Revenue is measured as the fair value of consideration received or receivable for satisfying performance obligations contained in contracts with clients, including expenses and disbursements but excluding discounts and Value Added Tax. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal will not be required when the uncertainties determining the level of variable consideration are subsequently resolved. Revenue is recognised when or as the Group satisfies performance obligations by transferring control of services to clients. This occurs as follows for the Group's various contract types:

- Time-and-materials contracts are recognised over time as services are provided at the fee rate agreed with the client where there is an enforceable right to payment for performance completed to date.
- Fixed-fee contracts are recognised over time based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided where there is an enforceable right to payment for performance completed to date. This is determined based on the actual inputs of time and expenses relative to total expected inputs.
- Performance-fee contracts are recognised when the right to consideration arises on having met the relevant performance-related elements.
- Contingent-fee contracts, over and above any agreed minimum fee, are recognised at the point in time that the contingent event occurs and the Group has become entitled to the revenue.
- Licence-fee contracts that provide a right to use the Group's intellectual property ('IP'), as it exists at the date the licence is granted, are recognised at the point in time that the licence agreement is entered into and the licensee is able to use and benefit from the licence. Licence-fee contracts that provide a right of access to the Group's IP, as it exists throughout the licence period, are recognised over time to reflect the pattern in which the benefits of access transfer to the client over the licence period.

Where contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on its stand-alone selling price. Where these are not directly observable, they are estimated based on expected cost plus margin. Adjustments are made to allocate discounts proportionately relative to the stand-alone selling price of each performance obligation.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the income statement in the period in which the circumstances that give rise to the revision become known.

For time-and-materials, fixed-fee and licence-fee contracts, fees are usually billed on account based on a payment schedule. For performance-fee and contingent-fee contracts, fees are usually billed and paid when entitlement to the revenue has been established. If the revenue recognised by the Group exceeds the amounts billed, a contract asset is recognised. If the amounts billed exceed the revenue recognised, a contract liability is recognised. Contract assets are reclassified as receivables when billed and the consideration has become unconditional because only the passage of time is required before payment is due. The Group's standard payment terms require settlement of invoices within 14 days of receipt.

The Group does not adjust the transaction prices for the time value of money as it does not expect to have any contracts where the period between the transfer of the promised services to the client and the payment by the client exceeds one year.



## Notes to the financial statements continued

### 2 Revenue continued

#### Disaggregation of revenue

The Group derives revenue from the provision of professional services across the following lines of service and industry segments:

Line of service	2019 £m	2018 £m
Assurance	1,442	1,334
Tax	1,068	941
Consulting	950	778
Deals	773	711
	4,233	3,764

Commencing 1 July 2019, the Assurance line of service has been further sub-divided into an Audit and a Risk Assurance line of service.

Industry segment	2019 £m	2018 £m
Consumer and industrial products and services	1,726	1,568
Financial services	1,413	1,243
Government and public sector	652	594
Technology, information, communications and entertainment	442	359
	4,233	3,764

The table below disaggregates revenue from external clients by managed territory within the Group:

	2019 £m	2018 £m
United Kingdom	3,460	3,110
Middle East	723	607
Channel Islands	50	47
	4,233	3,764

#### Assets and liabilities related to contracts with customers

Details of the Group's and the LLP's trade receivables and contract assets are disclosed in note 13 and contract liabilities in note 15.

#### Unsatisfied long-term contracts

At 30 June 2019, the aggregate amount of the transaction price allocated to fixed-price, long-term contracts that were partially or fully unsatisfied was £44m. Management expects that 89% (£39m) of the transaction price allocated to these unsatisfied contracts will be recognised as revenue during the financial year ending 30 June 2020, 7% (£3m) will be recognised in the financial year ending 30 June 2021 and the remaining 4% (£2m) will be recognised in the financial year ending 30 June 2022. In accordance with IFRS 15, these amounts do not include variable consideration which is constrained. All other contracts with customers are for periods of one year or less, or the right to consideration is directly aligned to the performance completed to date.

The Group has applied the practical expedient set out in IFRS 15 in respect of the presentation of the transaction price allocated to partially or fully unsatisfied contracts with customers where the contract is for a period of one year or less or where the right to consideration is directly aligned to the performance completed to date. The Group has also applied the practical expedient in respect of the presentation of prior financial year comparatives for unsatisfied long-term contracts.

## Notes to the financial statements continued

### 3 Staff costs

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Salaries	1,514	1,371	169	180
Social security costs	150	138	21	22
Pension costs in respect of defined contribution schemes (note 22)	140	119	25	26
Guaranteed minimum pension equalisation (note 22)	8	–	8	–
Past service cost in respect of defined benefit schemes (note 22)	4	–	4	–
	1,816	1,628	227	228

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

The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees before their retirement or providing termination benefits as a result of voluntary severance. During the financial year ended 30 June 2019, the Group recognised £9m (2018: £12m) and the LLP recognised £4m (2018: £7m) of termination benefits within salaries.

The average monthly number of employees during the financial year was:

	Group		LLP	
	2019 Number	2018 Number	2019 Number	2018 Number
Client support staff	19,961	18,269	967	1,035
Practice support staff	4,246	4,036	841	912
	24,207	22,305	1,808	1,947

## Notes to the financial statements continued

### 4 Other operating costs and income

#### Depreciation, amortisation and impairment

	2019 £m	2018 £m
Depreciation of property, plant and equipment (note 8)	45	43
Amortisation of other intangible assets (note 9)	9	11
Impairment of goodwill (note 9)	2	7
Impairment of other investments (note 12)	–	3
	56	64

#### Other operating charges

Other operating charges comprise firmwide overheads including operating lease charges, other property costs, IT and marketing; people-related costs, such as recruitment and training; and gains and losses on the disposal of property, plant and equipment and other intangible assets.

Total fees and expenses payable to the auditor, Crowe U.K. LLP, for the financial year ended 30 June 2019 were £0.5m (2018: £0.5m). This comprised audit fees of £0.4m (2018: £0.4m) relating to the LLP and Group consolidation and other service fees of £0.1m (2018: £0.1m) relating to the audit of subsidiary companies and audit-related assurance.

Operating lease charges include:

	2019 £m	2018 £m
Land and buildings	74	73
Plant and machinery	5	6
	79	79

Up to 30 June 2019, all leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Rental payments made under operating leases were charged to the income statement on a straight-line basis over the period of the lease. Lease incentives were recognised on a straight-line basis over the lease term as a reduction of rental expense. Refer to note 1 for details of the adoption of the new accounting standard IFRS 16 'Leases' on 1 July 2019.

Details of the Group's total commitments made under non-cancellable operating leases are provided in note 24.

#### Gain on disposal of property asset

During the prior financial year, the Group disposed of a freehold property, resulting in a gain on disposal of £32m which was recognised in the income statement. The gain on disposal was retained for investment and not distributed to members.

### 5 Finance income and expense

	2019 £m	2018 £m
Finance income		
Interest receivable	4	2
Net interest income on pension schemes (note 22)	3	–
	7	2
Finance expense		
Interest payable	(6)	(6)
Unwinding of discount on provisions (note 18)	(2)	(1)
Net interest expense on pension schemes (note 22)	–	(2)
	(8)	(9)
Net finance expense	(1)	(7)

## Notes to the financial statements continued

### 6 Tax expense in subsidiary entities

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

Certain subsidiary entities consolidated in these financial statements are subject to taxes on their own profits and this tax expense is reported in these consolidated financial statements. The tax expense is the sum of the current and deferred tax charges of those entities and is calculated using tax rates that have been enacted or substantively enacted at the reporting date. Current and deferred taxes are recognised in the income statement, except where they relate to items that are recognised in other comprehensive income, in which case they are recognised in other comprehensive income.

The tax expense included within the consolidated income statement comprises:

	2019 £m	2018 £m
Current tax on income of subsidiary entities for the financial year	59	51
Deferred tax movements (note 21)	1	1
<b>Tax expense in subsidiary entities</b>	<b>60</b>	<b>52</b>

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

	2019 £m	2018 £m
Profit on ordinary activities of subsidiary entities before tax	289	259
Tax expense at UK standard rate of 19% (2018: 19%)	55	49
Impact of items not deductible for tax purposes	3	4
Impact of indexation allowance on disposal of property asset	–	(3)
Adjustment to tax charge in respect of prior financial years	–	(2)
Effect of different tax rates across the Group	2	4
	<b>60</b>	<b>52</b>

## Notes to the financial statements continued

### 7 Members' profit shares

The final allocation and distribution of profit to individual members is made after the financial statements have been approved. The Chairman is the member with the largest entitlement to profit. The Management Board represents key management personnel for the purposes of these financial statements.

Each member's actual share of distributable profit is calculated after deducting their personal obligations to make annuity payments to certain former members and after equity adjustments. Distributable profit shares are presented on a before-tax basis as this is considered a more relevant measure of the Group's profitability. Tax comprises members' personal tax and National Insurance contributions payable on current year distributable profits and taxes payable on subsidiary profits.

The distributable profit shares before tax for the financial year ended 30 June are:

	2019	2018
Average per member (excluding members on secondment overseas)	£765,000	£712,000
Chairman	£3.7m	£3.4m
Management Board (2019: 12 members; 2018: 12 members)	£23.8m	£21.6m

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

	2019 Number	2018 Number
UK members	899	887
Members on secondment overseas	14	28
	913	915

Excluding members on secondment overseas, the average profit per member based on these financial statements was £973,000 (2018: £922,000), calculated by dividing the total profit available for division among members by the average number of UK members.

Based on the profits shown in these financial statements, the profit attributable to the Chairman was £4.8m (2018: £4.5m). The profit attributable to the members of the Management Board based on these financial statements totals £30.7m (2018: £28.4m).

## Notes to the financial statements continued

### 8 Property, plant and equipment

#### Group

	Freehold property £m	Leasehold property £m	Fittings, furniture and equipment £m	Total £m
<b>Cost</b>				
At beginning of prior financial year	6	92	261	359
Additions	1	1	49	51
Disposals	(5)	(1)	(34)	(40)
At end of prior financial year	2	92	276	370
Exchange differences	–	–	2	2
Additions	–	14	31	45
Disposals	–	–	(25)	(25)
At end of financial year	2	106	284	392
<b>Accumulated depreciation</b>				
At beginning of prior financial year	2	27	150	179
Depreciation charge for the financial year	–	6	37	43
Disposals	(2)	(1)	(31)	(34)
At end of prior financial year	–	32	156	188
Exchange differences	–	–	2	2
Depreciation charge for the financial year	–	8	37	45
Disposals	–	–	(25)	(25)
At end of financial year	–	40	170	210
Net book amount at end of prior financial year	2	60	120	182
Net book amount at end of financial year	2	66	114	182

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

Freehold property	50 years
Leasehold property	50 years or shorter leasehold term
Fittings and furniture	10–20 years or shorter leasehold term
Equipment	2–5 years

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

Group capital commitments relating to property, plant and equipment contracted but not provided for at 30 June 2019 amounted to £7m (2018: £23m). Assets under construction of £13m (2018: £1m) are included within leasehold property and £15m (2018: £23m) within fittings, furniture and equipment. The capital commitments contracted but not provided for and assets under construction relate principally to the refurbishment of offices.

#### LLP

During the financial year ended 30 June 2019, there were no property, plant or equipment assets held or capital commitments within the LLP (2018: nil).

## Notes to the financial statements continued

### 9 Goodwill and other intangible assets

#### Group

	Goodwill £m	Customer relationships £m	Computer software £m	Total other intangible assets £m
<b>Cost</b>				
At beginning of prior financial year	88	21	101	122
Exchange differences	(1)	–	–	–
Additions	5	–	10	10
Disposals	–	–	(25)	(25)
At end of prior financial year	92	21	86	107
Exchange differences	2	–	–	–
Additions	–	–	3	3
Disposals	–	–	(2)	(2)
At end of financial year	94	21	87	108
<b>Accumulated amortisation/impairment</b>				
At beginning of prior financial year	6	11	86	97
Amortisation charge for the financial year	–	3	8	11
Impairment charge for the financial year	7	–	–	–
Disposals	–	–	(25)	(25)
At end of prior financial year	13	14	69	83
Amortisation charge for the financial year	–	2	7	9
Impairment charge for the financial year	2	–	–	–
Disposals	–	–	(2)	(2)
At end of financial year	15	16	74	90
Net book amount at end of prior financial year	79	7	17	24
Net book amount at end of financial year	79	5	13	18

There were no assets under construction within other intangible assets in the Group at 30 June 2019 (2018: £5m included within computer software).

#### LLP

	Goodwill £m	Customer relationships £m	Computer software £m	Total other intangible assets £m
<b>Cost</b>				
At beginning of prior financial year	6	1	15	16
Disposals	–	–	(15)	(15)
At beginning and end of financial year	6	1	–	1
<b>Accumulated amortisation/impairment</b>				
At beginning of prior financial year	–	1	15	16
Disposals	–	–	(15)	(15)
At beginning and end of financial year	–	1	–	1
Net book amount at end of prior financial year	6	–	–	–
Net book amount at end of financial year	6	–	–	–

There were no assets under construction in the LLP at 30 June 2019 (2018: nil).



## Notes to the financial statements continued

### 9 Goodwill and other intangible assets continued

#### Acquisitions and goodwill

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary undertaking is the fair value of the assets transferred and the liabilities incurred by the Group, including those from any contingent consideration arrangement. Acquisition related costs are charged to the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

Goodwill arises where the fair value of the consideration transferred for a business exceeds the fair value of identifiable assets, liabilities and contingent liabilities. If the consideration is less than the fair value of the identifiable assets, in the case of a bargain purchase, the difference is recognised immediately in the income statement. Goodwill arising on acquisitions is capitalised with an indefinite useful economic life and tested annually for impairment. Assets are grouped at the lowest levels for which there are separately identifiable cash flows ('cash generating units'). For the purposes of assessing impairment, goodwill is allocated to the group of cash generating units which represents the lowest level at which goodwill is monitored for internal management purposes.

#### Acquisitions

During the prior financial year, the Group acquired a 100% interest in cDecisions Limited (subsequently renamed PwC Digital Services (UK) Limited), which offers IT consultancy services, and Optimisa Research Limited (subsequently renamed PricewaterhouseCoopers Consulting Services UK Limited), which offers market research consulting services.

The combined consideration of these acquisitions was £7m, of which £1m was deferred over three years. The fair values of assets and liabilities recognised on acquisition of £2m related primarily to cash and cash equivalents. The Group recognised £5m of goodwill in respect of these acquisitions, which was attributable to the companies' strong position and profitability in trading and their existing workforces, which could not be separately recognised as intangible assets.

#### Impairment reviews

The largest element of goodwill held within the Group is £53m (2018: £51m) in respect of the Group's strategic alliance in the Middle East. The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows based on three-year financial budgets. Cash flows for the periods beyond existing budgets have been extrapolated using a 5% historic long-term GDP annual regional growth rate (2018: 5%). The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 12% (2018: 12%).

The remaining goodwill represents UK acquisitions, and relates primarily to the provision of consulting services. During the financial year ended 30 June 2019, impairment charges of £2m were recognised against this goodwill in relation to two businesses acquired in prior financial years, having given consideration to their value in use. During the prior financial year ended 30 June 2018, impairment charges of £7m were recognised against goodwill in relation to businesses acquired that had ceased trading.

A reasonable change in the key assumptions used in assessing the goodwill for impairment would not have a significant impact on the difference between value in use and the carrying value.

#### Customer relationships

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

#### Computer software

Costs directly associated with the purchase or development of computer software are stated at cost less accumulated amortisation and amortised on a straight-line basis over the expected useful economic life of the software, typically three to five years.

Costs directly attributable to the development of identifiable software are recognised as intangible assets only if development costs can be reliably measured, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group has adequate resources available to complete the development and use or sell the software. Directly attributable costs that are capitalised as part of the asset include employee costs and an appropriate portion of direct overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Expenditure on research and costs associated with maintaining computer software are recognised as an expense as incurred.

## Notes to the financial statements continued

### 10 Investments in subsidiaries

#### LLP

	2019 £m	2018 £m
Shares in subsidiary undertakings		
Cost at beginning and end of financial year	68	68
Accumulated impairment at beginning and end of financial year	11	11
Net book amount at end of prior financial year	57	57
Net book amount at end of financial year	57	57

Investments in subsidiaries are measured at cost less impairment.

The financial statements consolidate the results and financial position of the Group, including all subsidiary undertakings listed in note 27.

On 12 August 2019, the LLP's wholly-owned subsidiary, PwC Holdings (UK) Limited, paid a dividend of £35,000,000, being £1,750 per share. The financial statements have not been adjusted to reflect the above transaction, which occurred after 30 June 2019.

#### Non-controlling interests in subsidiary undertakings

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

PricewaterhouseCoopers (Middle East Group) Limited is the only subsidiary with a non-controlling interest that is material to the Group. The Group owns 100% of the ordinary shares of PricewaterhouseCoopers (Middle East Group) Limited and the local Middle East partners own 'B' shares, which provide the partners with certain income access rights. The pre-consolidated reserves of this company and its subsidiaries at 30 June 2019 attributable to non-controlling interests showed a deficit of £29m (2018: £50m). The local partners had also subscribed £96m of capital (2018: £87m).

Set out below is summarised consolidated financial information for PricewaterhouseCoopers (Middle East Group) Limited and its subsidiaries, before any intercompany eliminations with the remainder of the Group:

#### Summarised consolidated statement of financial position

	2019 £m	2018 £m
Current		
Assets	368	319
Borrowings	(47)	(88)
Other liabilities	(241)	(187)
Total current net assets	80	44
Non-current		
Assets	72	72
Local partner capital	(96)	(87)
Other liabilities	(33)	(29)
Total non-current net liabilities	(57)	(44)
Net assets	23	-
Equity		
Share capital	52	50
Reserves	(29)	(50)
Total equity	23	-
Shareholder and local partners' interests		
Share capital	52	50
Local partner capital	96	87
Equity reserves attributable to local partners	(29)	(50)
Total shareholder and local partners' interests	119	87

## Notes to the financial statements continued

### 10 Investments in subsidiaries continued

#### Summarised consolidated income statement

	2019 £m	2018 £m
Revenue	748	617
Profit before income tax expense	160	135
Income tax expense	(31)	(26)
Other comprehensive income (expense)	2	(2)
Total comprehensive income	131	107
Total comprehensive income attributable to non-controlling interests	131	107

#### Summarised consolidated statement of cash flows

	2019 £m	2018 £m
Cash generated from operations	182	155
Income tax paid	(16)	(18)
Net cash generated from operating activities	166	137
Net cash outflow from investing activities	(12)	(8)
Net cash outflow from financing activities	(158)	(121)
Net (decrease) increase in cash and cash equivalents	(4)	8
Cash and cash equivalents at beginning of financial year	33	25
Cash and cash equivalents at end of financial year	29	33

### 11 Interests in jointly controlled entities and associates

	2019 £m	2018 £m
Value at beginning of financial year	3	2
Share of (loss) profit	(1)	–
Capital investment	2	2
Distributions received	(1)	(1)
Value at end of financial year	3	3

The Group's interests in jointly controlled entities and associates are consolidated using the equity method of accounting. The investment is initially recognised at cost and the carrying value adjusted to recognise the Group's share of the profit or loss of the jointly controlled entity or associate after the date of acquisition. The Group's share of profit or loss is recognised in the income statement with a corresponding adjustment to the carrying value of the investment.

The Group held interests in four significant jointly controlled entities and associates at 30 June 2019: Bolt Partners Limited, which offers mobile applications for healthcare organisations; PricewaterhouseCoopers Mobility Technology Services LLC, which offers international mobility services; PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V., which provides shared services for PwC network firms; and PwC Poland Services Limited, which offers specialised cloud-based solutions and transformational services. All jointly controlled entities and associates are listed in note 27.

During the prior financial year, the Group acquired a 27% equity interest in Bolt Partners Limited for consideration of £1m. At 30 June 2019, Bolt Partners Limited had assets of £1m (2018: £1m) and liabilities of £1m (2018: £1m). For the financial year ended 30 June 2019, the Group recognised no profit or loss in the income statement in respect of this interest (2018: nil).

The Group has a 50% equity interest in PricewaterhouseCoopers Mobility Technology Services LLC. At 30 June 2019, PricewaterhouseCoopers Mobility Technology Services LLC had assets of £6m (2018: £4m) and liabilities of £10m (2018: £6m). For the financial year ended 30 June 2019, PricewaterhouseCoopers Mobility Technology Services LLC's revenue was £19m (2018: £16m) and loss was £2m (2018: nil).

The Group has a 33.33% equity interest in PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.. At 30 June 2019, PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V. had assets of £4m (2018: £3m) and liabilities of £2m (2018: £2m). For the financial year ended 30 June 2019, PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.'s revenue was £41m (2018: £32m) and profit was £2m (2018: £2m).

## Notes to the financial statements continued

### 11 Interests in jointly controlled entities and associates continued

The Group has a 50% equity interest in PwC Poland Services Limited. The Group also holds repayable interest-bearing preference shares issued by this company, which are recognised as debt instruments within other investments (refer to note 12). During the financial year ended 30 June 2019, the Group made further capital contributions of £2m (2018: £1m). At 30 June 2019, PwC Poland Services Limited and its subsidiaries had assets of £21m (2018: £19m) and liabilities of £14m (2018: £14m). For the financial year ended 30 June 2019, PwC Poland Services Limited's consolidated revenue was £24m (2018: £22m) and loss was £2m (2018: £2m).

During the prior financial year, the Group had a 20% equity interest in Skyval Holdings LLP, which developed, maintained and licensed pension-related software. The Group disposed of its interest in Skyval Holdings LLP with no gain or loss recognised on disposal during the financial year ended 30 June 2019. At 30 June 2018, Skyval Holdings LLP and its subsidiaries had assets of £3m and liabilities of £1m. For the financial year ended 30 June 2018, Skyval Holdings LLP's consolidated revenue was £5m and profit was £2m.

During the financial year ended 30 June 2019, the Group received distributions from its interests in jointly controlled entities and associates totalling £1m (2018: £1m).

### 12 Other investments

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Reservoir trust restricted assets	41	30	41	30
Other investments held at amortised cost	52	–	6	–
Other investments held at fair value through profit and loss	20	–	15	–
Other investments classified as available-for-sale	–	60	–	18
Other investments held at cost	–	4	–	3
	113	94	62	51

Other investments are measured at amortised cost less impairment where the investment is held to collect contractual cash flows that represent solely payments of principal and interest. Otherwise, they are measured at fair value. Income from investments is recognised in the income statement when entitlement is established.

On 1 July 2018, the Group adopted IFRS 9 'Financial instruments', which has resulted in a change from this date in the classification and measurement of certain financial assets included in other investments (refer to note 1 for further details). These changes are set out below:

- UK gilts held as restricted assets in the reservoir trust, interest-bearing subordinated loan notes issued by entities in the PwC global network and preference shares held in PwC Poland Services Limited – these instruments were classified as available-for-sale and measured at fair value through other comprehensive income under IAS 39; from 1 July 2018 they are classified and measured at amortised cost on the basis of the Group's business model, with their contractual cash flows representing solely payments of principal and interest under IFRS 9.
- Preference shares in the PwC Central and Eastern European and PwC Central and Southern African firms – these instruments were classified as available-for-sale and measured at fair value through other comprehensive income under IAS 39; from 1 July 2018 they are classified and measured at fair value through profit and loss, with their contractual cash flows not representing solely payments of principal and interest under IFRS 9.
- Equity investments in entities in the PwC global network – these instruments were previously classified as available-for-sale and measured at cost less impairment under IAS 39; from 1 July 2018 they are classified and measured at fair value through profit and loss.

## Notes to the financial statements continued

### 12 Other investments continued

The financial impact of these changes is set out under the relevant headings below:

#### Reservoir trust restricted assets

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Value at beginning of financial year	30	20	30	20
Remeasurement on adoption of IFRS 9 on 1 July 2018	1	–	1	–
Additions	10	10	10	10
Value at end of financial year	41	30	41	30

The LLP has entered into a deed with the trustees of its two defined benefit pension schemes establishing a reservoir trust. Under the terms of the deed, the assets in the reservoir trust are restricted and are reserved to be used to meet any deficit, calculated in accordance with the terms of the deed, in the schemes at 31 March 2026, being the end of the trust term, or earlier if certain triggers are met. The trust assets will only be available to the LLP to the extent that they are not needed to meet any deficit in the schemes at this date. Notwithstanding these conditions, the trust assets do not constitute plan assets under IAS 19 and are therefore presented as restricted assets within other investments.

During the financial year ended 30 June 2019, the LLP made contributions into the trust of £10m (2018: £10m). The LLP has committed to contribute up to £10m per annum over the next three financial years and currently expects to contribute £10m in the financial year ending 30 June 2020.

On 1 July 2018, the reservoir trust restricted assets previously classified as available-for-sale and measured at fair value under IAS 39 were reclassified as held at amortised cost on the adoption of IFRS 9 and resulted in the release to members' reserves of £1m of cumulative fair value losses previously recognised on these assets.

Reservoir trust restricted assets are considered to have a low credit risk and the loss allowance is therefore limited to the 12 month expected credit loss. The Group and the LLP have assessed the expected credit loss on reservoir trust restricted assets and no loss allowance has been recognised in the financial year ended 30 June 2019.

#### Other investments held at amortised cost

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Value at beginning of financial year	–	–	–	–
Reclassified from available-for-sale on 1 July 2018	43	–	6	–
Additions	7	–	–	–
Foreign-exchange movements recognised in profit and loss	2	–	–	–
Value at end of financial year	52	–	6	–

On 1 July 2018, other investments of £43m for the Group and £6m for the LLP, previously classified as available-for-sale and measured at fair value under IAS 39, were reclassified as held at amortised cost on the adoption of IFRS 9. These investments comprised interest-bearing subordinated loan notes from entities in the PwC global network of £34m for the Group and £6m for the LLP and repayable interest-bearing preference shares in PwC Poland Services Limited of £9m for the Group.

During the financial year ended 30 June 2019, the Group invested in an additional £5m (2018: £27m, classified as available-for-sale) of repayable interest-bearing subordinated loan notes issued by an entity in the PwC global network. At 30 June 2019, the Group's total investment in repayable interest-bearing subordinated loan notes from entities in the PwC global network, after foreign-exchange movements, was £41m (2018: £34m, classified as available-for-sale), which are primarily denominated in US dollars with £8m in euros (2018: £7m). At 30 June 2019, the LLP held £6m of these loans, denominated in euros (2018: £6m, classified as available-for-sale).

During the financial year ended 30 June 2019, the Group invested in an additional £2m (2018: £2m, classified as available-for-sale) of repayable interest-bearing preference shares issued by PwC Poland Services Limited. At 30 June 2019, the Group's total investment in these preference shares was £11m, denominated in euros (2018: £9m, classified as available-for-sale).

## Notes to the financial statements continued

### 12 Other investments continued

#### Other investments held at amortised cost continued

The amortised cost of the repayable interest-bearing subordinated loan notes and preference shares are calculated as the present value of the expected future cash flows from these instruments, discounted at a market rate of interest. The adoption of IFRS 9 has had no impact on the carrying values of these investments as their amortised cost equated to their fair value on transition.

The repayable interest-bearing subordinated loan notes and preference shares are considered to have a low credit risk and the loss allowance is therefore limited to the 12 month expected credit loss. The Group and the LLP have assessed the expected credit loss on these assets and no loss allowance has been recognised in the financial year ended 30 June 2019.

#### Other investments held at fair value through profit and loss

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Value at beginning of financial year	–	–	–	–
Reclassified from available-for-sale on 1 July 2018	17	–	12	–
Reclassified from held at cost on 1 July 2018	4	–	3	–
Additions	1	–	1	–
Remeasurement losses recognised in profit and loss	(2)	–	(1)	–
Value at end of financial year	20	–	15	–

On 1 July 2018, other investments of £17m for the Group and £12m for the LLP, previously classified as available-for-sale and measured at fair value under IAS 39, were reclassified as held at fair value through profit and loss on the adoption of IFRS 9. These investments comprised preference shares issued by the PwC Central and Eastern European firm of £12m for the Group and the LLP and preference shares issued by the PwC Central and Southern African firm of £5m for the Group. No adjustments were required to the carrying value of these investments on transition as they were previously measured at fair value.

Also, on 1 July 2018, other investments of £4m for the Group and £3m for the LLP, previously measured at cost less impairment under IAS 39, were reclassified as held at fair value through profit and loss on the adoption of IFRS 9. These investments comprised equity holdings in entities in the PwC global network. On transition on 1 July 2018, the fair value of these investments was assessed and no adjustment was required to the carrying value of the investments.

During the financial year ended 30 June 2019, the LLP invested in an additional £1m (2018: £3m, classified as available-for-sale) of preference shares issued by the PwC Central and Eastern European firm as part of a strategic investment plan.

The preference shares held in the PwC Central and Eastern European and PwC Central and Southern African firms are carried at fair value, being the present value of future returns received mainly in the form of a coupon rate of return and through additional referred client work. The key assumptions used are the average annual growth rate and discount rate applied against the anticipated future returns. A reasonable change in the key assumptions used in assessing the fair values would not have had a significant impact on the carrying value. During the financial year ended 30 June 2019, remeasurement losses of £2m were recognised in the income statement against these investments.

At 30 June 2019, the LLP's total preference share investment in the PwC Central and Eastern European firm was £12m denominated in US dollars (2018: £12m, classified as available-for-sale) and the Group's total preference share investment in the PwC Central and Southern African firm was £4m denominated in US dollars (2018: £5m, classified as available-for-sale). At 30 June 2019, the Group has committed, subject to certain investment conditions, to make additional payments of up to US \$16m (2018: US \$31m).

At 30 June 2019, the total equity investments in entities in the PwC global network was £3m (2018: £3m, classified as held at cost less impairment) for the LLP and £4m (2018: £4m, classified as held at cost less impairment) for the Group. The fair values of investments in entities in the PwC global network have been determined using the dividend discount model. The key assumption used is the discount rate applied against anticipated future returns. A reasonable change in the key assumption used in assessing the fair values would not have had a significant impact on the carrying value.

## Notes to the financial statements continued

### 12 Other investments continued

#### Other investments held as available-for-sale

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Value at beginning of financial year	60	33	18	17
Reclassified to amortised cost on 1 July 2018	(43)	–	(6)	–
Reclassified to fair value through profit and loss on 1 July 2018	(17)	–	(12)	–
Additions	–	32	–	3
Impairment charges recognised in profit and loss	–	(3)	–	(2)
Foreign-exchange movements recognised in profit and loss	–	(2)	–	–
Value at end of financial year	–	60	–	18

Other investments of £60m for the Group and £18m for the LLP, previously classified as available-for-sale and measured at fair value under IAS 39, were reclassified on the adoption of IFRS 9 on 1 July 2018. £43m for the Group and £6m for the LLP is now classified and measured at amortised cost, while £17m for the Group and £12m for the LLP is now classified and measured at fair value through profit and loss. Details of the nature of these investments and their movements in the prior financial year are set out under the relevant headings above.

#### Other investments held at cost

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Value at beginning of financial year	4	3	3	3
Reclassified to fair value through profit and loss on 1 July 2018	(4)	–	(3)	–
Additions	–	1	–	–
Value at end of financial year	–	4	–	3

Other investments of £4m for the Group and £3m for the LLP, previously measured at cost less impairment under IAS 39, were reclassified as held at fair value through profit and loss on the adoption of IFRS 9. Details of the nature of these investments are set out under other investments held at fair value through profit and loss above.

### 13 Trade and other receivables

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Client receivables	793	730	549	531
Due from PwC network firms	81	69	63	59
Trade receivables	874	799	612	590
Contract assets	462	405	378	337
Trade receivables and contract assets	1,336	1,204	990	927
Amounts due from subsidiary undertakings	–	–	56	72
Other receivables	38	40	3	2
Prepayments	66	60	3	5
	1,440	1,304	1,052	1,006

In the prior financial year, contract assets were disclosed as unbilled amounts for client work in the Group and the LLP financial statements. Contract assets are reclassified as trade receivables when billed to clients or PwC network firms and the consideration has become unconditional because only the passage of time is required before payment is due.



## Notes to the financial statements continued

### 13 Trade and other receivables continued

Group and LLP trade receivables and contract assets are carried at amortised cost less provisions for lifetime estimated credit losses and impairments. Estimated future credit losses are first recorded on the initial recognition of a receivable and are based on the ageing of the receivable balance, historical credit loss experience and forward-looking considerations. In the prior financial year, the Group and the LLP measured impairment under the historical incurred credit loss model under IAS 39. Individual trade receivables and contract assets are written off when management deem them not to be collectible. Further details of credit risk are disclosed in note 25.

Amounts due from subsidiary undertakings are considered to have a low credit risk and the loss allowance is therefore limited to the 12 month expected credit loss. The LLP has assessed the expected credit loss on these assets and no loss allowance has been recognised in the financial year ended 30 June 2019.

Group and LLP trade receivables and contract assets are primarily denominated in sterling, with £278m in US dollars/US dollar linked currencies (2018: £223m) and £48m in euros (2018: £31m). The carrying value of trade and other receivables in the Group and the LLP is consistent with fair value in the current and prior financial year.

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

The expected loss rates for trade receivables and contract assets, as presented below, are based on the payment profile and the shared credit risk characteristics arising in the different regions in which the Group operates. The lifetime expected credit losses are analysed as follows:

			Group		LLP	
			2019 £m	2018 £m	2019 £m	2018 £m
	United Kingdom and Channel Islands	Middle East				
30 days or less	0.2%	0.7%	440	439	347	366
31 to 90 days	0.6%	1.8%	284	238	183	164
91 to 180 days	3.2%	4.7%	129	101	80	57
181 to 270 days	10.8%	16.9%	30	30	8	10
More than 271 days	97.0%	79.1%	35	28	8	9
Gross trade receivables			918	836	626	606
Gross contract assets	0.2%	0.7%	463	405	379	337
			1,381	1,241	1,005	943
Expected credit losses			(43)	–	(13)	–
Other impairment provisions			(2)	–	(2)	–
Incurred credit loss provisions			–	(37)	–	(16)
			(45)	(37)	(15)	(16)
Trade receivables and contract assets			1,336	1,204	990	927

Movements in the lifetime expected credit loss and other impairment provisions on trade receivables and contract assets were as follows:

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Balance at beginning of financial year	(37)	(32)	(16)	(10)
Remeasurement on adoption of IFRS 9 on 1 July 2018	1	–	–	–
Income statement:				
Charge for the financial year	(24)	(24)	(5)	(13)
Released unused during the financial year	9	14	1	4
Utilised during the financial year	6	5	5	3
Balance at end of financial year	(45)	(37)	(15)	(16)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

## Notes to the financial statements continued

### 14 Cash and cash equivalents

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash at bank and in hand	43	58	6	13
Short-term deposits	246	160	246	159
<b>Total cash and cash equivalents</b>	<b>289</b>	<b>218</b>	<b>252</b>	<b>172</b>

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Fair values of cash and cash equivalents approximate to carrying value owing to the short maturity of these instruments.

Group cash and cash equivalent balances are primarily denominated in sterling, with £29m in US dollars/US dollar linked currencies (2018: £35m in US dollars/US dollar linked currencies and £4m in euros).

Bank overdrafts are included within borrowings, in current liabilities, in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of outstanding bank overdrafts as follows:

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Total cash and cash equivalents as above	289	218	252	172
Bank overdrafts (note 16)	(7)	–	–	–
	<b>282</b>	<b>218</b>	<b>252</b>	<b>172</b>

### 15 Trade and other payables

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade payables	176	139	–	–
Amounts owed to subsidiary undertakings	–	–	546	410
Social security and other taxes	118	112	7	8
Other payables	63	67	45	59
Accruals	483	432	48	60
Contract liabilities	169	151	112	111
	<b>1,009</b>	<b>901</b>	<b>758</b>	<b>648</b>

Trade and other payables are measured at amortised cost.

In the prior financial year, contract liabilities were disclosed as progress billings for client work. During the financial year ended 30 June 2019, £142m of the Group's £151m and £102m of the LLP's £111m recorded contract liabilities at 30 June 2018 were recognised as revenue.

Group trade payables are primarily denominated in sterling, with £77m in US dollars/US dollar linked currencies (2018: £30m) and £26m in euros (2018: £36m). Due to the short maturity of trade and other payables in the Group and the LLP, the carrying value is consistent with fair value in the current and prior financial year. Group current trade payables include amounts owing to PwC network firms totalling £134m (2018: £90m).

## Notes to the financial statements continued

### 16 Borrowings

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Current				
Bank borrowings	40	87	–	–
Bank overdrafts	7	–	–	–
Other loans	–	1	–	–
	47	88	–	–

Borrowings are initially measured at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs and charged to the income statement from draw-down. Where there is no evidence that any of the facility will be drawn down, the fee is charged to the income statement over the period of the facility.

The Group's borrowings at 30 June 2019 and 30 June 2018 were unsecured and primarily denominated in US dollars, with £1m denominated in euros in the prior financial year.

All borrowings mature within one year and the carrying values of borrowings approximate their fair value.

### 17 Liabilities arising from financing activities

The Group and the LLP's liabilities arising from financing activities were as follows:

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Bank borrowings (note 16)	40	87	–	–
Other loans (note 16)	–	1	–	–
Members' capital (note 19)	263	266	263	266
Other non-current liabilities (note 20)	98	89	–	–
	401	443	263	266

The following table illustrates the movements in liabilities arising from financing activities, including both changes arising from cash and non-cash flows:

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Non-cash flows from financing activities				
Interest payable	6	6	–	–
Allocated profit	867	767	753	662
Movement in capital loans provided by non-controlling interest partners	9	(7)	–	–
Cash flows from financing activities				
Proceeds from borrowings	162	231	–	–
Repayment of borrowings	(210)	(249)	–	–
Interest paid	(6)	(6)	–	–
Capital contributions by members	24	58	24	58
Capital repayments to members	(27)	(23)	(27)	(23)
Payments to members	(753)	(662)	(753)	(662)
Payments to non-controlling interests	(114)	(105)	–	–
Net (decrease) increase in liabilities arising from financing activities	(42)	10	(3)	35
Liabilities arising from financing activities at beginning of financial year	443	433	266	231
Liabilities arising from financing activities at end of financial year	401	443	263	266

## Notes to the financial statements continued

### 18 Provisions and contingent liabilities

#### Group

	Annuities £m	Property £m	Claims and regulatory proceedings £m	Total £m
Balance at beginning of prior financial year	31	12	38	81
Income statement:				
Charge for the financial year	2	4	7	13
Released unused during the financial year	–	–	(5)	(5)
Unwinding of discount	1	–	–	1
Transfer to accruals	–	(1)	–	(1)
Cash payments	(5)	–	(13)	(18)
Balance at end of prior financial year	29	15	27	71
Income statement:				
Charge for the financial year	6	1	22	29
Released unused during the financial year	–	–	(2)	(2)
Unwinding of discount	2	–	–	2
Transfer to accruals	–	(3)	–	(3)
Cash payments	(4)	(1)	(25)	(30)
Balance at end of financial year	33	12	22	67

#### LLP

	Claims and regulatory proceedings £m
Balance at beginning of prior financial year	38
Income statement:	
Charge for the financial year	7
Released unused during the financial year	(5)
Cash payments	(13)
Balance at end of prior financial year	27
Income statement:	
Charge for the financial year	22
Released unused during the financial year	(2)
Cash payments	(25)
Balance at end of financial year	22

#### Disclosed as:

	Group		LLP	
	2019 £m	2018 £m	2019 £m	2018 £m
Current	1	1	–	–
Non-current	66	70	22	27
	67	71	22	27

## **Notes to the financial statements continued**

### **18 Provisions and contingent liabilities continued**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Non-current provisions are measured at their present value. The discount rates used are based on risk-free rates.

#### **Annuities**

The Group's financial statements consolidate the provision made for the annuities payable by certain subsidiary undertakings to current and former non-controlling interest partners in those undertakings, principally in relation to the Middle East. These annuities are unfunded. The provision reflects the present value of the obligations arising from service to date. Any changes in the provision for these annuities arising from changes in entitlements, financial estimates or actuarial assumptions are recognised in the income statement. The unwinding of the discount is presented in the income statement as a finance expense. When the entitled individuals retire and their annuities come into payment, these payments are shown as a movement against the provision.

The principal actuarial assumptions used in calculating the annuities provision are an assumed retirement age of 57 (2018: 57), discount rates of 4.5% for US dollar denominated annuities (2018: 4.8%) and 1.2% for sterling denominated annuities (2018: 1.3%) and inflation rates of 2.3% for US dollar denominated annuities (2018: 2.3%) and 3.2% for sterling denominated annuities (2018: 2.9%). The annuities provision is expected to unwind over 25 years.

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

#### **Property**

Provisions are recognised for obligations under property contracts that are onerous ('onerous lease provision') and to restore premises to their original condition upon vacating them, where such an obligation exists under the lease ('dilapidations provision'). The provisions are based on estimated future cash flows that have been discounted to present value, with the unwinding of the discount presented in the income statement as a finance expense. The onerous lease provision covers residual lease commitments up to the end of the lease and is after allowing for existing or expected sublet rental income.

Property provisions at 30 June 2019 and 30 June 2018 comprise substantially dilapidations provisions. The provisions are based on estimated future cash flows that have been discounted to present value at an average rate of 2.1% (2018: 2.3%). The property provisions are expected to unwind over 17 years.

#### **Claims and regulatory proceedings**

In common with comparable professional service practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims by clients or investigations commenced by regulatory bodies which may lead to regulatory proceedings. The Group defends such claims where appropriate and where costs are likely to be incurred in defending and concluding such matters and can be measured reliably they are provided for in the financial statements. Amounts provided for are based on management's assessment of the specific circumstances in each case and after offsetting any insurance cover, where deemed recoverable. The Group carries professional indemnity insurance and no separate disclosure is made of the detail of such claims or proceedings, or the costs recovered by insurance, as to do so could seriously prejudice the position of the Group. Claims are assessed as being settled in full within the next five years.

## Notes to the financial statements continued

### 18 Provisions and contingent liabilities continued

#### Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is considered less than probable or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote. In line with the policy above, details of contingent liabilities relating to claims and regulatory proceedings are not disclosed.

Where financial guarantees are recognised, they are initially measured at fair value and subsequently measured at the higher of their initial fair value, less amounts recognised in the income statement, and the best estimate of the amount that will be required to settle the obligation. The carrying value of the guarantees disclosed below is nil (2018: nil).

The Group has entered into US \$49m (2018: US \$31m) of guarantees with third-party banks in connection with work performed in foreign territories, predominantly in the Middle East.

The LLP has entered into a US \$52m (2018: US \$52m) loan guarantee with a third-party bank in connection with a loan to an entity in the PwC global network.

The LLP has provided guarantees in respect of the future lease commitments of PricewaterhouseCoopers Services Limited, a subsidiary company, totalling £559m over the remaining lease terms (2018: £602m). The majority of these commitments relate to the office premises at 7 More London and 1 Embankment Place.

The LLP guarantees the bank borrowings of PricewaterhouseCoopers Services Limited, which are included in the Group's statement of financial position. At 30 June 2019, PricewaterhouseCoopers Services Limited's bank borrowings were nil (2018: nil).

### 19 Members' capital

	Group and LLP £m
Balance at beginning of prior financial year	231
Contributions by members	58
Repayments to members	(23)
Balance at end of prior financial year	266
Contributions by members	24
Repayments to members	(27)
Balance at end of financial year	263

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

	Group and LLP 2019 £m	Group and LLP 2018 £m
Current	14	12
Non-current	249	254
	263	266

Members' capital is classified as a financial liability. The carrying value of members' capital is consistent with fair value in the current and prior financial year.

Members' capital contributions are determined by the Executive Board, with the approval of the Supervisory Board, having regard to the working capital needs of the business. Individual member's capital contributions are set by reference to equity unit profit share proportions and are not repayable until the member retires. Members are required to provide one year's notice of retirement.

## Notes to the financial statements continued

### 20 Other non-current liabilities

Group other non-current liabilities of £98m (2018: £89m) represent capital loans provided by non-controlling interest partners in subsidiary undertakings consolidated into the Group, primarily in relation to the Middle East. Non-controlling interest partners are required to provide one year's notice of retirement.

There were no other non-current liabilities in the LLP for the financial years ended 30 June 2019 and 30 June 2018.

### 21 Deferred tax

The movements in the Group's net deferred tax balances during the financial year were as follows:

	2019 £m	2018 £m
Balance at beginning of financial year	4	5
Charged to the income statement	(2)	(1)
Credited to the income statement	1	–
Balance at end of financial year	3	4

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Temporary differences relating to investments in subsidiaries have not been provided for as it is not probable that they will reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is measured at the tax rates that are enacted or substantively enacted at the reporting date and expected to apply in the periods in which the temporary differences reverse. Deferred tax in the current and prior financial year is calculated using a tax rate of 19% for the period to 31 March 2020 and 17% thereafter.

At 30 June 2019, deferred tax assets primarily comprised temporary differences between capital allowances and depreciation and deferred tax liabilities primarily comprised other temporary timing differences.

#### Disclosed as:

	2019 £m	2018 £m
Deferred tax assets	5	4
Deferred tax liabilities	(2)	–
	3	4

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 30 June 2019, the Group had accumulated unrecognised tax losses of £47m (2018: £49m).

There was no deferred tax arising in the LLP for the financial years ended 30 June 2019 and 30 June 2018.



## Notes to the financial statements continued

### 22 Retirement benefits

#### Defined contribution schemes

The Group's contributions to defined contribution schemes are charged to the consolidated income statement as they fall due. Costs of £140m (2018: £119m) were recognised by the Group and £25m (2018: £26m) by the LLP in respect of the schemes.

#### Defined benefit schemes

The Group's two defined benefit schemes are the PwC Pension Fund ('the Fund') and the DH&S Retirement and Death Benefits Plan ('the Plan'). Both of the Group's defined benefit scheme arrangements are closed to future service accrual, although certain current employee member benefits remain linked to final salary. Both schemes are funded and their assets are held separately from those of the Group. The liabilities arising in the defined benefit schemes have been assessed for accounting purposes using the projected unit credit method and 31 March 2017 individual member data, with allowance for transfers out since this date, rolled forward to the reporting date.

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

The consolidated income statement includes interest on the net defined benefit asset or obligation. Past service costs arising from changes to scheme benefits are recognised immediately in the consolidated income statement, unless the benefits are conditional on the employees remaining in service for a specified period of time, in which case the past service costs are amortised over that vesting period.

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they arise. Other income and expenses associated with the defined benefit schemes are recognised in the consolidated income statement.

#### Assumptions

The principal actuarial assumptions used for the purposes of these financial statements are:

	2019	2018	2017
Discount rate	2.2%	2.6%	2.6%
Inflation (RPI)	3.4%	3.3%	3.3%
Inflation (CPI)	2.4%	2.3%	2.3%
Expected rate of increase in salaries	2.4%	2.3%	2.3%
Expected average rate of increase in pensions in payment	2.6%	2.5%	2.5%

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

## Notes to the financial statements continued

### 22 Retirement benefits continued

#### Sensitivity analysis

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

	Fund obligation increase £m	Plan obligation increase £m	Total obligation increase £m
0.5% decrease to discount rate	144	80	224
0.5% increase to salary increases	2	1	3
0.5% increase to inflation	68	39	107
One year increase to life expectancy	61	33	94

The figures at 30 June 2019 used in these financial statements assume that the mortality of the schemes' members will be in line with nationally published S2PA mortality tables, adjusted to reflect the longer life expectancy of the schemes' members versus the standard table by a 91% scaling factor for both males and females. Future improvements are assumed to be in line with Continuous Mortality Investigation ('CMI') 2018 projections, with a 1.25% long-term rate. The following table illustrates the life expectancy for a current pensioner member aged 65 at 30 June and a future pensioner member aged 45 at 30 June:

	2019		2018	
	Fund Years	Plan Years	Fund Years	Plan Years
Life expectancy of current pensioners at age 65:				
Male	22.6	22.6	22.8	22.8
Female	24.5	24.5	24.7	24.7
Life expectancy of future pensioners at age 65:				
Male	24.0	24.0	24.5	24.5
Female	26.0	26.0	26.5	26.5

#### Income statement

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

	2019			2018		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Net interest income	2	1	3	–	–	–
Net interest expense	–	–	–	(1)	(1)	(2)
Guaranteed minimum pension equalisation	(5)	(3)	(8)	–	–	–
Past service cost	(4)	–	(4)	–	–	–
	(7)	(2)	(9)	(1)	(1)	(2)

On 26 October 2018, the High Court issued a ruling on the equalisation of guaranteed minimum pension benefits ('GMPs'), clarifying that pension scheme trustees are under a duty to equalise GMPs between members of different sexes and setting out a number of different lawful methods for affecting the equalisation. Using the C2 methodology, set out in the judgement, the overall financial impact of equalisation as at the judgement date is estimated to be £8m (Fund: £5m, Plan: £3m) on an IAS 19 basis, equating to 0.3% of the combined schemes' liabilities. This charge has been recognised as a past service cost in the consolidated income statement in the current financial year.

Pensions accrued prior to 6 April 1997 are not required by statute to increase in payment and most such pensions in the Fund have no entitlement to increases. During the financial year ended 30 June 2019, the LLP's management chose to apply a 2% increase to this element of pension for all applicable pensioners in the Fund. The impact of this discretionary increase is £4m on an IAS 19 basis as at the date of application, which has been recognised as a past service cost in the consolidated income statement.

## Notes to the financial statements continued

### 22 Retirement benefits continued

#### Scheme assets and defined benefit obligations

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

	Fund			Plan			Total £m
	Scheme assets £m	Defined benefit obligation £m	Total £m	Scheme assets £m	Defined benefit obligation £m	Total £m	
Fair value at beginning of prior financial year	1,664	(1,696)	(32)	903	(919)	(16)	(48)
Interest income (expense)	41	(42)	(1)	22	(23)	(1)	(2)
Recognised in the income statement	41	(42)	(1)	22	(23)	(1)	(2)
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	57	–	57	33	–	33	90
Changes in financial assumptions	–	19	19	–	9	9	28
Changes in demographic assumptions	–	(4)	(4)	–	(2)	(2)	(6)
Experience adjustments on defined benefit obligation	–	3	3	–	10	10	13
Recognised as other comprehensive income	57	18	75	33	17	50	125
Contributions by employer	19	–	19	9	–	9	28
Benefits paid	(102)	102	–	(54)	54	–	–
Fair value at end of prior financial year	1,679	(1,618)	61	913	(871)	42	103
Interest income (expense)	43	(41)	2	23	(22)	1	3
Guaranteed minimum pension equalisation	–	(5)	(5)	–	(3)	(3)	(8)
Past service cost	–	(4)	(4)	–	–	–	(4)
Recognised in the income statement	43	(50)	(7)	23	(25)	(2)	(9)
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	77	–	77	44	–	44	121
Changes in financial assumptions	–	(115)	(115)	–	(65)	(65)	(180)
Changes in demographic assumptions	–	31	31	–	21	21	52
Experience adjustments on defined benefit obligation	–	(36)	(36)	–	–	–	(36)
Recognised as other comprehensive income (expense)	77	(120)	(43)	44	(44)	–	(43)
Contributions by employer	22	–	22	9	–	9	31
Benefits paid	(84)	84	–	(31)	31	–	–
Fair value at end of financial year	1,737	(1,704)	33	958	(909)	49	82

Contributions paid during the financial year ended 30 June 2019 included £25m (2018: £25m) of deficit reduction contributions, £4m (2018: nil) in respect of the discretionary pension increase and £2m (2018: £3m) of other funding costs.

The LLP has entered into an agreement with the schemes' trustees to establish a reservoir trust. The LLP made contributions of £10m during the financial year ended 30 June 2019 (2018: £10m) and, if relevant conditions are met, the LLP expects to contribute £10m in the financial year ending 30 June 2020. Further details are provided in note 12.

## Notes to the financial statements continued

### 22 Retirement benefits continued

#### Scheme assets and defined benefit obligations continued

The actual return on scheme assets during the financial year ended 30 June 2019 was an increase of £187m (2018: £153m). The allocation and market value of assets of the defined benefit schemes were as follows:

	2019			2018		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Bonds	785	444	1,229	650	371	1,021
Gilts	645	341	986	659	338	997
Multi-asset/hedge funds	210	116	326	283	156	439
Cash	103	60	163	94	51	145
Derivative financial instruments	(6)	(3)	(9)	(7)	(3)	(10)
Total scheme assets	1,737	958	2,695	1,679	913	2,592
Defined benefit obligations	(1,704)	(909)	(2,613)	(1,618)	(871)	(2,489)
Net retirement benefit assets	33	49	82	61	42	103

Both the Fund and the Plan have significant liability driven investments ('LDI'), the purpose of which is to reduce exposure to changes in interest rates and inflation. The LDI holdings primarily comprise fixed interest and inflation linked gilts, repurchase and reverse repurchase holdings in these gilts and interest rate and inflation swaps.

Within derivative financial instruments are foreign-exchange contracts, the purpose of which is to reduce the exposure of bonds and multi-asset/hedge funds denominated in US dollars to changes in foreign-exchange.

#### Future cash funding

The Fund and the Plan are valued formally every three years by an independent actuary, Mercer Ltd. The most recent finalised full actuarial valuations for both the Fund and the Plan were as at 31 March 2017. These valuations were conducted under the Scheme Funding Regulations (Pensions Act 2004) and indicated a combined deficit of £240m on a fully funded valuation basis.

In agreement with the schemes' trustees, the Group has agreed to continue to make deficit reduction payments of £25m per annum over the period from 1 April 2017 to 31 March 2024. The Group therefore currently expects to contribute £25m in the financial year ending 30 June 2020, in addition to the expected £10m of contributions to the reservoir trust, provided the relevant conditions are met, as described in note 12. The next full actuarial valuation will be carried out as at 31 March 2020.

## Notes to the financial statements continued

### 23 Total members' interests

During the financial year, the Executive Board sets the level of interim profit allocations and members' monthly drawings after considering the working capital needs of the Group. The final allocation of profits and distribution to members is made after the annual financial statements are approved. Unallocated profits are included in reserves within equity. To the extent that interim profit allocations exceed drawings, the excess profit is included in the statement of financial position under trade and other payables. Where drawings exceed the allocated profits, the excess is included in trade and other receivables. The same treatment is used for members who retire during the financial year.

#### Group

	Members' interests				Non-controlling interests	
	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m	Reserves £m	Amounts due to (from) non-controlling interests £m
Balance at beginning of prior financial year	231	310	–	541	(43)	–
Profit for the financial year available for division among members	–	818	–	818	117	–
	231	1,128	–	1,359	74	–
Allocated profit	–	(662)	662	–	(105)	105
Movement on cash flow hedges	–	1	–	1	–	–
Remeasurements of retirement benefits	–	125	–	125	–	–
Translation of foreign operations	–	–	–	–	2	–
Contributions by members	58	–	–	58	–	–
Repayments to members	(23)	–	–	(23)	–	–
Drawings and distributions	–	–	(662)	(662)	–	(105)
Balance at end of prior financial year	266	592	–	858	(29)	–
Remeasurement on adoption of IFRS 9 on 1 July 2018	–	1	–	1	1	–
Profit for the financial year available for division among members	–	875	–	875	141	–
	266	1,468	–	1,734	113	–
Allocated profit	–	(753)	753	–	(114)	114
Movement on cash flow hedges	–	–	–	–	(2)	–
Remeasurements of retirement benefits	–	(43)	–	(43)	–	–
Translation of foreign operations	–	(1)	–	(1)	2	–
Contributions by members	24	–	–	24	–	–
Repayments to members	(27)	–	–	(27)	–	–
Drawings and distributions	–	–	(753)	(753)	–	(114)
Balance at end of financial year	263	671	–	934	(1)	–

## Notes to the financial statements continued

### 23 Total members' interests continued

#### LLP

	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m
Balance at beginning of prior financial year	231	193	–	424
Profit for the financial year available for division among members	–	798	–	798
	231	991	–	1,222
Allocated profit	–	(662)	662	–
Remeasurements of retirement benefits	–	125	–	125
Contributions by members	58	–	–	58
Repayments to members	(23)	–	–	(23)
Drawings and distributions	–	–	(662)	(662)
Balance at end of prior financial year	266	454	–	720
Remeasurement on adoption of IFRS 9 on 1 July 2018	–	1	–	1
Profit for the financial year available for division among members	–	809	–	809
	266	1,264	–	1,530
Allocated profit	–	(753)	753	–
Remeasurements of retirement benefits	–	(43)	–	(43)
Contributions by members	24	–	–	24
Repayments to members	(27)	–	–	(27)
Drawings and distributions	–	–	(753)	(753)
Balance at end of financial year	263	468	–	731

Amounts due to (from) members represent allocated profits not yet paid to members and are due within one financial year. In the event of a winding-up, members' reserves rank after unsecured creditors.

### 24 Commitments under operating leases

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

	2019		2018	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one financial year	65	3	72	3
1–2 financial years	65	2	61	2
2–3 financial years	65	1	63	1
3–4 financial years	63	–	59	–
4–5 financial years	62	–	56	–
More than five financial years	454	–	485	–

## Notes to the financial statements continued

### 25 Financial instruments

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

Derivatives, such as forward foreign-exchange contracts and interest rate swaps, are held or issued in order to manage the Group's currency and interest rate risks arising from its operations and sources of finance. Hedge accounting is applied where the relevant criteria are met. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income or expense within the statement of comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, for example when the forecast sale that is hedged takes place.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### **Financial risk management and management of capital**

The Group's objectives when managing capital are to safeguard the Group's ability to operate as a going concern and to maintain an optimal capital structure to cover the expected peak cash requirements of the business. The Group's capital sources primarily comprise members' capital, undistributed profits and borrowing facilities. The Group holds or issues financial instruments in order to finance its operations and manage foreign currency and interest rate risks arising from its operations and sources of finance. The principal financial instruments, other than derivatives, held or issued by the Group are:

- Other investments (note 12) – investments held at amortised cost, comprising reservoir trust restricted assets, subordinated loan notes and preference shares from entities in the PwC global network; and investments held at fair value through profit and loss, comprising equity holdings and preference shares in entities in the PwC global network.
- Trade and other receivables (note 13) – primarily trade receivables and contract assets, in respect of services provided to clients, for which payment has not yet been received.
- Cash and cash equivalents (note 14) – the Group manages its cash resources in order to meet its daily working capital requirements. Cash and any outstanding debt are kept to a minimum and liquid fund deposits are maximised.
- Trade and other payables (note 15) – primarily trade payables and accruals in respect of services received from suppliers, for which payment has not yet been made.
- Borrowings (note 16) – primarily amounts drawn down under the Group's facility arrangements.
- Provisions (note 18) – comprising the Group's annuities.
- Members' capital (note 19) – the Group requires members to provide long-term financing, which is classified as a liability.
- Other non-current liabilities (note 20) – comprising capital loans provided by non-controlling interest partners in subsidiary undertakings consolidated into the Group, primarily in relation to the Middle East.

The Executive Board determines the treasury policies of the Group. These policies, designed to manage risk, relate to specific risk areas that management wish to control, including liquidity, credit, interest rate and foreign currency exposures. Hedging is undertaken against specific exposures to reduce risk and no speculative trading is permitted. The Group's hedges are in respect of foreign currency risk and interest rate risk.

## Notes to the financial statements continued

### 25 Financial instruments continued

#### Group financial assets and liabilities by category

	2019			2018				
	Fair value through profit and loss £m	Derivatives used for hedging £m	Amortised cost £m	Loans and receivables £m	Available-for-sale £m	Derivatives used for hedging £m	Other financial liabilities £m	
<b>Assets</b>								
Trade and other receivables	–	–	1,374	1,244	–	–	–	
Other investments	20	–	93	–	94	–	–	
Cash and cash equivalents	–	–	289	218	–	–	–	
<b>Liabilities</b>								
Trade and other payables	–	–	(889)	–	–	–	(789)	
Borrowings	–	–	(47)	–	–	–	(88)	
Provisions	–	–	(33)	–	–	–	(29)	
Members' capital	–	–	(263)	–	–	–	(266)	
Other non-current liabilities	–	–	(98)	–	–	–	(89)	
<b>Interest rate swaps</b>								
Cash flow hedges	–	(2)	–	–	–	–	–	

When measuring the fair value of an asset or liability, the Group uses observable inputs where possible. The inputs to valuations used to measure fair values are categorised into different levels in a fair value hierarchy as follows:

- Level 1 – using quoted prices in active markets for identical assets and liabilities.
- Level 2 – using observable inputs other than quoted prices in active markets.
- Level 3 – using inputs that are not based on observable market data, such as internal models or other valuation methods.

Fair value through profit and loss investments (note 12) include:

- £16m (2018: £17m) of other investments measured at fair value using unobservable inputs (level 3), comprising interest-bearing preference shares issued by entities in the PwC global network.
- £4m (2018: £4m) of other investments measured at fair value using unobservable inputs (level 3), comprising investments in a number of entities in the PwC global network.

In the prior financial year, available-for-sale investments (note 12) also included:

- £30m of reservoir trust restricted assets, measured using quoted prices (level 1), now measured at amortised cost.
- £43m of other investments measured at fair value using unobservable inputs (level 3), now measured at amortised cost, comprising interest-bearing preference shares issued by entities in the PwC global network.

The fair values of all derivatives are based on observable inputs (level 2).

There have been no transfers of any financial assets and liabilities between levels 1, 2 and 3 during the current or prior financial years.

For other financial assets and liabilities, fair value approximates their carrying value in the current and prior financial years.



## Notes to the financial statements continued

### 25 Financial instruments continued

#### Liquidity risk

The Group's most significant treasury exposures relate to liquidity. The Group manages the risk of uncertainty in its funding operations by spreading the maturity profile of its borrowings and deposits, taking into account expected cash receipts and payments, and arranging committed facilities to provide a minimum headroom of 25% of forecast peak borrowing levels. The Group's facilities at 30 June 2019, totalling £618m (2018: £619m), were predominantly held with eight leading international banks, with £199m of facilities due to expire within one financial year and £419m between one and three financial years. The facilities due to expire within one financial year are expected to be renewed, on satisfactory terms, during the financial year ending 30 June 2020.

#### Credit risk

Cash deposits and other financial instruments with banks and other financial institutions give rise to counterparty risk. The Group manages this risk by reviewing counterparties' credit ratings regularly and limiting the aggregate amount and duration of exposure to any one counterparty, taking into account criteria such as credit rating, market capitalisation and relative credit default swap price. The minimum long-term credit rating of all banks and financial institutions who held the Group's short-term deposits during the financial year ended 30 June 2019 was BBB+.

The Group's other significant credit risk relates to receivables from clients. Exposure to this risk is monitored on a routine basis and credit evaluations are performed on clients as appropriate. The Group's exposure is influenced mainly by the individual characteristics of each client. Risk is managed by maintaining close contact with clients and by routine billing and cash collection for work performed.

#### Interest rate risk

The Group's borrowings and any surplus cash balances are held at variable interest rates linked to London interbank offered rate ('LIBOR'). A portion of the Group's recurring borrowings, arising primarily from the operations of PricewaterhouseCoopers (Middle East Group) Limited and its subsidiaries, are swapped to a fixed rate through the use of interest rate swap agreements. The duration of the swap agreements match the duration of the debt instruments. The majority of the Group's long-term borrowings are subject to fixed US dollar interest rates after applying the impact of these hedging instruments. Outstanding borrowings at 30 June 2019 are primarily denominated in US dollars, reflecting the composition of the Group's assets that are funded by the borrowings. A movement of 50 basis points in the interest rate on borrowings and surplus cash balances through the financial year would have had an immaterial impact on the pre-tax profits of the Group.

#### Foreign currency risk

The majority of the Group's income and expenditure is in sterling, with the exception of the operations of PricewaterhouseCoopers (Middle East Group) Limited and its subsidiaries which are primarily denominated in US dollars/US dollar linked currencies. Refer to note 10 for summarised consolidated financial information for PricewaterhouseCoopers (Middle East Group) Limited.

Other fees and costs denominated in foreign currencies are mainly in connection with professional indemnity insurance and transactions with PwC network firms. The Group seeks to minimise its exposure to fluctuations in exchange rates by hedging against foreign currency exposures. These hedges are designated as cash flow hedges where this is deemed necessary and the relevant criteria are met. The Group's policy is to enter into appropriate forward or derivative transactions after a net economic exposure has been identified.

#### Interest rate profile of financial assets and liabilities

Group short-term deposits with banks of £246m (2018: £160m) and Group borrowings of £47m (2018: £88m) are subject to floating interest rates. LLP short-term deposits with banks of £246m (2018: £159m) are also subject to floating interest rates. Group investments include floating rate subordinated loan notes of £41m (2018: £34m) and fixed rate preference shares of £27m (2018: £26m). LLP investments include floating rate subordinated loan notes of £6m (2018: £6m) and fixed rate preference shares of £12m (2018: £12m).

#### Currency profile of financial assets and liabilities

The major part of the Group's income and expenditure is in sterling. After taking into account foreign-exchange contracts and known euro and US dollar/US dollar linked currency denominated assets and liabilities, the Group had net US dollar/US dollar linked currency denominated assets of £70m (2018: £64m) and net euro denominated assets at 30 June 2019 of £43m (2018: £17m).

## Notes to the financial statements continued

### 25 Financial instruments continued

#### **Derivative financial instruments**

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group performs an assessment of effectiveness and if the critical terms of the hedging instrument no longer match with the terms of the hedged item, the Group uses the hypothetical derivative method to assess effectiveness.

Foreign-exchange derivative contracts all mature in less than two years and are valued using market prices prevailing at the reporting date. The foreign currency forwards and options are denominated in the same currency as the highly probable future payments, therefore achieving a hedge ratio of 1:1. There was no ineffective portion recognised in the income statement for the financial year ended 30 June 2019 (2018: nil) in respect of these foreign-exchange derivative contracts. The effective portion of cash flow hedges recognised as other comprehensive income for the financial year ended 30 June 2019 was nil (2018: £1m). The carrying value of foreign-exchange derivative contracts at 30 June 2019 was nil (2018: £1m asset) and the notional principal amount of foreign-exchange derivative contracts at 30 June 2019 was £74m (2018: £59m).

Interest rate swaps mature in the financial year ending 30 June 2024, and have been valued using the interest rates prevailing at the reporting date. The duration of the swap agreements match the duration of the debt instruments, therefore achieving a hedge ratio of 1:1. There was no ineffective portion recognised in the income statement for the financial year ended 30 June 2019 (2018: nil) in respect of these swap agreements. The effective portion of cash flow hedges recognised as other comprehensive expense for the financial year ended 30 June 2019 was £2m (2018: nil). The carrying value of interest rate swaps at 30 June 2019 was a £2m liability (2018: nil) and the notional principal amount of interest rate swap derivative contracts at 30 June 2019 was £39m (2018: nil).

### 26 Related party transactions

The LLP and the PricewaterhouseCoopers United Kingdom Partnership ('United Kingdom Partnership') are related parties because they are both controlled by the same group of individuals. This controlling group of individuals consists of all the members of the LLP, who are also all the members of the United Kingdom Partnership. Related party transactions with the United Kingdom Partnership and other related parties are summarised below.

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

Arrangements are in place for the LLP to supply services to the United Kingdom Partnership in connection with certain client assignments. For the financial year ended 30 June 2019, the LLP provided services to the United Kingdom Partnership to the value of £127,000 (2018: £154,000) under these arrangements. There were no balances outstanding at 30 June 2019 (2018: nil).

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

On behalf of its members, the LLP provides certain administrative services to support the United Kingdom Partnership, including the calculation of annuities and paying agent arrangements in connection with the pension annuities and certain other post-retirement payments due to certain former members of that partnership. The LLP charged the United Kingdom Partnership £200,000 (2018: £200,000) for these support services for the financial year ended 30 June 2019. There were no balances outstanding at 30 June 2019 (2018: nil). Amounts paid during the financial year ended 30 June 2019 to the annuitants on behalf of the continuing members in their capacity as members of the United Kingdom Partnership totalled £100m (2018: £97m).

## Notes to the financial statements continued

### 26 Related party transactions continued

#### Group transactions with jointly controlled entities and associates

Details of the Group's interests in jointly controlled entities and associates are provided in note 11.

The transactions during the financial year with these related parties were as follows:

	2019 £m	2018 £m
Purchase of services from related parties		
Skyval Holdings LLP and subsidiary undertakings	–	3
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	21	14
PricewaterhouseCoopers Mobility Technology Services LLC	1	1
PwC Poland Services Limited and subsidiary undertakings	13	8
Provision of services to related parties		
PwC Poland Services Limited and subsidiary undertakings	–	(1)
PricewaterhouseCoopers Mobility Technology Services LLC	(3)	(3)

For the financial year ended 30 June 2019, the Group made capital contributions of £2m (2018: £1m) and subscribed for repayable interest-bearing preference shares of £2m (2018: £2m) in PwC Poland Services Limited, and disposed of its interest in Skyval Holdings LLP with no gain or loss recognised on the disposal. During the prior financial year ended 30 June 2018, the Group made capital contributions of £1m in Bolt Partners Limited.

The Group's balances at 30 June with these related parties were as follows:

	2019 £m	2018 £m
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	–	(1)
PwC Poland Services Limited and subsidiary undertakings	11	8

#### LLP

The subsidiary undertakings, jointly controlled entities and associates listed in note 27 are related parties of the LLP.

The transactions during the financial year with these related parties were as follows:

	2019 £m	2018 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	1,893	1,731
Other subsidiaries, jointly controlled entities and associates	8	6
Provision of services to related parties		
Other subsidiaries, jointly controlled entities and associates	(32)	(16)
Income received from investments in related parties		
PwC Holdings (UK) Limited	(32)	(74)
Other subsidiaries, jointly controlled entities and associates	(11)	(13)

The LLP's balances at 30 June with related parties were as follows:

	2019 £m	2018 £m
PricewaterhouseCoopers Services Limited	(541)	(404)
PwC Holdings (UK) Limited	36	49
PricewaterhouseCoopers (Middle East Group) Limited	9	7
PwC Information Technology Services Limited	7	7
PwC Strategy & UK Holdings LLP	(2)	(2)
Amounts due from other subsidiaries	4	9
Amounts due to other subsidiaries	(3)	(4)
Amounts due from jointly controlled entities and associates	–	1

Details of movements in investments in subsidiary undertakings are provided in note 10.

## Notes to the financial statements continued

### 27 Subsidiary undertakings and jointly controlled entities

#### Subsidiary undertakings

The entities listed below are those consolidated in the Group's financial statements, including partnerships, LLPs and other unincorporated entities. There are no entities directly or indirectly held by the LLP that have been excluded from the consolidated financial statements.

All subsidiary companies are 100% owned by the Group.

UK group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: 1 Embankment Place, London, WC2N 6RH			
AIMS Holdings No. 1 Limited	England	£1.00 ordinary shares	–
AIMS Holdings No. 2 Limited	England	£1.00 ordinary shares	–
Barbinder Executors & Trustees – (an unlimited company)	England	£1.00 ordinary shares	100
Barbinder Freehold – (an unlimited company)	England	£1.00 ordinary shares	100
Beyond Food Community Interest Company	England	£1.00 ordinary shares	–
Cooper Brothers & Co. Limited	England	A and B class ordinary £1.00 shares	100
Coopers & Lybrand Limited	England	£1.00 ordinary shares	100
Farringdon Trustees – (an unlimited company)	England	£0.10 ordinary shares	100
Frederick's Place Nominees – (an unlimited company)	England	£1.00 ordinary shares	100
Price Waterhouse Limited	England	£1.00 ordinary shares	–
Price Waterhouse MCS UK Holdings B.V.	Netherlands	EUR 1.00 ordinary shares	100
Price Waterhouse MCS UK Holding Company – (an unlimited company)	England	£1.00 ordinary shares and £1.00 preference shares	–
PricewaterhouseCoopers (Resources) Limited	England	£1.00 ordinary shares	20
PricewaterhouseCoopers Advisory Services Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers ASM Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Consulting Services UK Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers CFR Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers ME Holdings Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Overseas Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Services Limited	England	£1.00 ordinary shares	–
PRPI Consulting Limited	England	A and B class ordinary £1.00 shares	–
PwC Change Management Holdings Limited	England	A and B class ordinary £0.10 shares	–
PwC Change Management Limited	England	£1.00 ordinary shares	–
PwC Consulting Associates Limited	England	£1.00 ordinary shares	–
PwC Digital Services (UK) Limited	England	A and C class ordinary £1.00 shares	–
PwC London Bridge Limited	England	£1.00 ordinary shares	–
PwC Holdings (UK) Limited	England	£1.00 ordinary shares	100
PwC Information Technology Services Limited	England	£1.00 ordinary shares	–
PwC Performance Solutions Limited	England	£0.05 ordinary shares	–
PwC Performance Solutions (No. 2) Limited	England	£1.00 ordinary shares	–
PwC Performance Solutions (No. 3) Limited	England	£1.00 ordinary shares	–
PwC Strategy& (UK) Ltd.	England	£1.00 ordinary shares	–
PwC Strategy& Services (UK) Limited	England	£1.00 ordinary shares	–
PwC Tax Information Reporting Limited	England	£1.00 ordinary shares	–
PWSP – (an unlimited company)	England	£1.00 ordinary shares	99
Sustainable Finance Holdings Limited	England	A1, A2, B1, B2, C1 and C2 class ordinary £0.50 shares and £1.00 preference shares	–
Sustainable Finance Limited	England	£1.00 ordinary shares	–
The Barbinder Trust – (an unlimited company)	England	£1.00 ordinary shares	100
Registered office: 1 Embankment Place, London, WC2N 6DX			
PricewaterhouseCoopers Legal (Resources) Limited	England	£1.00 ordinary shares	100
PwC Legal (UAE) Limited	England	£1.00 ordinary shares	100
Registered office: Cornwall Court, 19 Cornwall Street, Birmingham, United Kingdom, B3 2DT			
Petershill Secretaries Limited	England	£1.00 ordinary shares	100
Sunbury Secretaries Limited	England	£1.00 ordinary shares	100

## Notes to the financial statements continued

### 27 Subsidiary undertakings and jointly controlled entities continued

UK group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: Atria One, 144 Morrison Street, Edinburgh, Scotland, EH3 8EX			
PricewaterhouseCoopers Assurance UK Limited	Scotland	£1.00 ordinary shares	–
The Barbinder Trust (Scotland) – (an unlimited company)	Scotland	£1.00 ordinary shares	–
Registered office: PwC House, Plot No. 18/a, Guru Nanak Road, Station Road, Bandra West, Mumbai, Maharashtra, India – 400050			
PricewaterhouseCoopers AIMS Support Services India Private Limited	India	INR 500 ordinary shares	100
Registered office: Royal Bank Place, 1 Gategny Esplanade, Guernsey, GY1 2HJ			
PricewaterhouseCoopers Alliance Limited	Guernsey	£nil ordinary shares	50
Registered office: One International Towers, Watermans Quay, Bangaroo, NSW, Australia, 2000			
PricewaterhouseCoopers Information Technology Services (Australia) Holdings Pty Ltd	Australia	AUD 1.00 ordinary shares	–
PricewaterhouseCoopers Information Technology Services (Australia) Pty Ltd	Australia	AUD 1.00 ordinary shares	–
Selera Solutions Pty Ltd	Australia	AUD 1.00 ordinary shares	–
Channel Islands group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: P.O. Box 321, First Floor, Royal Bank Place, 1 Gategny Esplanade, Guernsey, GY1 2HJ			
Midhurst Properties Limited	Guernsey	£1.00 ordinary shares	–
Pembroke House Limited	Guernsey	£1.00 ordinary shares	–
PricewaterhouseCoopers Services (Guernsey) Limited	Guernsey	£1.00 ordinary shares	–
PwC Corporate Services (Guernsey) Limited	Guernsey	£1.00 ordinary shares	–
PwC Properties (Guernsey) Limited	Guernsey	£1.00 ordinary shares	–
Registered office: 37 Esplanade, St Heller, Jersey, JE1 4XA			
PricewaterhouseCoopers Professional Services Limited	Jersey	£1.00 ordinary shares	–
PricewaterhouseCoopers Services (Jersey) Limited	Jersey	£1.00 ordinary shares	–
PwC Channel Islands Limited	Jersey	£1.00 ordinary shares	–
PwC Properties (Jersey) Limited	Jersey	£1.00 ordinary shares	–
PwC Pension Scheme Trustees Limited	Jersey	£1.00 ordinary shares	–
Middle East group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: Adol Street, Ben Ashour, P.O. Box 81577, Tripoli, Libya			
Al Motahedoon Company Chartered Accountants and Registered Auditors LLC	Libya	LYD 20.00 ordinary shares	–
Registered office: 4th Floor, Al-Hitmi Building #8, Corniche Road, P.O. Box 25422, Doha, Qatar			
Harding Lowe Professionals LLC (in liquidation)	Qatar	AED 1.00 ordinary shares	–
Registered office: OMC Chambers, Wickams Cay 1, Road Town Tortola, British Virgin Islands			
HLP Consulting Limited	British Virgin Islands	USD 1.00 ordinary shares	–
Registered office: Office no.1, First Floor, GHP-CS, Al Markaziyah, Hamdan St., Hamdan Street, Abu Dhabi, UAE			
HLP International Consulting LLC	UAE	AED 1.00 ordinary shares	–
Registered office: 3302 Saba Tower 1, Jumeirah Lakes Towers, Cluster E, Dubai, UAE			
PwC Digital Services	UAE	AED 1,000.00 ordinary shares	–
Registered office: Tornado Tower, 41st Floor, P.O. Box 6689, Doha, Qatar			
PricewaterhouseCoopers – Qatar LLC	Qatar	USD 1.00 A class shares	–
Registered office: Third Circle, Jabal Amman, 14 Hazza' Al-Majali Street, P.O. Box 5175, Amman 11183, Jordan			
PricewaterhouseCoopers "Jordan"	Jordan	JOD 1.00 ordinary shares	–
Registered office: 3rd Floor, Saba House Building, Block B&C, Said Freiha Street, Hazmieh, Beirut, Lebanon, P.O. Box 11-3155			
PricewaterhouseCoopers (Offshore) S.A.L.	Lebanon	LBP 30,000.00 ordinary shares	–

## Notes to the financial statements continued

### 27 Subsidiary undertakings and jointly controlled entities continued

Middle East group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: P.O. Box 321, Royal Bank Place, 1 Glatigny Esplanade, St Peter Port, Guernsey, GY1 4ND			
PricewaterhouseCoopers (Holdings) Guernsey Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers (Holdings) Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers (Middle East Group) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Bahrain Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Bahrain Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Holdings ME Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Iraq Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers KSA (Advisory) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Kuwait Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Kuwait Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Libya Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Oman Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Palestinian Territories Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Palestinian Territories Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Qatar Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Qatar Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Saudi Arabia (Advisory) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Saudi Arabia (CF) Limited	Guernsey	£nil ordinary shares	–
PwC Holdings Guernsey Limited	Guernsey	£nil ordinary shares	–
PwC Holdings MER Limited	Guernsey	£nil ordinary shares	–
PwC Holdings Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Saudi Arabia Holdco Limited	Guernsey	£nil ordinary shares	–
Registered office: Kingdom Tower, P.O. Box 13934, Riyadh 11414, Kingdom of Saudi Arabia			
PricewaterhouseCoopers Advisory Limited	Saudi Arabia	SAR 2,000.00 ordinary shares	–
Registered office: Arraya Tower II, 23rd-24th Floor, Safat 13018, P.O. Box 1753, Al-Shuhada Street, Sharq, Kuwait			
PricewaterhouseCoopers Advisory Services WLL	Kuwait	KWD 5,000.00 membership units	–
Registered office: Plot No. 211, Second Sector, City Center, New Cairo 11835, Egypt, P.O. Box 170, New Cairo			
PricewaterhouseCoopers Financial Consultancy SAE	Egypt	EGP 100.00 ordinary shares	–
PricewaterhouseCoopers – LLC	Egypt	EGP 100.00 ordinary shares	–
Registered office: Salam Square – South, 4th floor, Suites 402-404, Madinat Al Sultan Qaboos, P.O. Box 3075, Ruwi, Post Code 112, Muscat, Oman			
PricewaterhouseCoopers L.L.C.	Oman	OMR 1.00 ordinary shares	–
Registered office: Office 801, Level 8, Al Fattan Currency House, Tower 1, Dubai, UAE			
PricewaterhouseCoopers Limited	UAE	AED 1.00 ordinary shares	–
Registered office: Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE			
PwC Commercial Brokers LLC	UAE	AED 1.00 ordinary shares	–
PwC Academy LLC	UAE	AED 1.00 ordinary shares	–
Registered office: Gulan Street, English Village, Building No. 252, Erbil, Kurdistan, Republic of Iraq			
PricewaterhouseCoopers Management Advisory LLC	Iraq	IQD 1.00 ordinary shares	–
Registered office: C/o The Corporation Trust Centre, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, USA			
PwC Strategy& Services (Middle East) Limited	USA	USD 1.00 ordinary shares	–
Registered office: P.O. Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands			
Strategy& (Middle East) Ltd.	Cayman Islands	USD 1.00 ordinary shares	–

## Notes to the financial statements continued

### 27 Subsidiary undertakings and jointly controlled entities continued

Middle East group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: Star Capital 2, 9th Floor, Aly Rashed Street, Heliopolis West 11771, Cairo, Egypt			
Strategy& (Egypt) LLC	Egypt	EGP 100.00 ordinary shares	–
Registered office: 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, USA			
Strategy& (Lebanon) LLC	USA	Membership units	–
Registered office: Al Fattan Currency House, Tower 1, Level 8, Dubai International Financial Centre, Dubai, UAE			
Strategy& (M.E.) Ltd	UAE	AED 1.00 ordinary shares	–
Registered office: 40th Floor, Tornado Tower, West Bay, Doha, Qatar			
Strategy& (QFC) LLC	Qatar	USD 1.00 ordinary shares	–
Registered office: Al Salah Tower, G 103, Prince Faisal Bin Fahad Street, Khubar, Kingdom of Saudi Arabia			
Strategy& Saudi Arabia	Saudi Arabia	SAR 100.00 ordinary shares	–
Registered office: Muscat International Centre, Muttrah Business District, Bait Al Falj Street, P.O. Box 686, Ruwi, Post Code 112, Muscat, Oman			
Strategy& Services (Middle East) Limited	Oman	OMR 1.00 ordinary shares	–
<b>UK group partnerships, limited liability partnerships and other unincorporated entities</b>	<b>Legal form</b>	<b>Principal place of business</b>	
Registered office: 1 Embankment Place, London, WC2N 6DX			
PricewaterhouseCoopers Legal LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6DX	
PricewaterhouseCoopers Legal Middle East LLP	Limited liability partnership	Rd No. 2811, Seef, Bahrain	
Registered office: 1 Embankment Place, London, WC2N 6RH			
Accounting Advisory (UK) LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6RH	
PricewaterhouseCoopers AS LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6RH	
PwC Strategy& UK Holdings LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6RH	
<b>Channel Islands group partnerships, limited liability partnerships and other unincorporated entities</b>	<b>Legal form</b>	<b>Principal place of business</b>	
Registered office: 1 Embankment Place, London, WC2N 6RH			
PricewaterhouseCoopers CI LLP	Limited liability partnership	37 Esplanade, St Helier, Jersey, JE2 3QE	
<b>Middle East group partnerships, limited liability partnerships and other unincorporated entities</b>	<b>Legal form</b>	<b>Registered office and principal place of business</b>	
PricewaterhouseCoopers EzzEldeen, Diab & Co	Partnership	Plot No. 211, Second Sector, City Center, New Cairo 11835, Egypt, P.O. Box 170, New Cairo	
Pricewaterhouse Coopers Middle East Limited	Regional office	Third Circle, Jabal Amman, 14 Hazza' Al-Majali Street, P.O. Box 5175, Amman 11183, Jordan	
PricewaterhouseCoopers	Partnership	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda	
PricewaterhouseCoopers	Partnership	Saba House Building, Block B&C, Said Freiha Street, Hazmieh, P.O. Box 11-3155, Beirut, Lebanon	
PricewaterhouseCoopers (Abu Dhabi Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE	
PricewaterhouseCoopers (ADGM Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE	
PricewaterhouseCoopers (Dubai Branch)	Branch	Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE	
PricewaterhouseCoopers "Jordan"	Branch	Gulan Street, English Village, Building No. 252, Erbil, Kurdistan, Republic of Iraq	
PricewaterhouseCoopers RAK Branch	Branch	Al Gisir Road, Suhaim, Office Tower, Juiphar Towers, P.O. Box 9705, RAK, UAE	
PricewaterhouseCoopers – SHJ. BR.	Branch	11th Floor, Baitha Towers, Cornish, P.O. Box 63801 82162, Sharjah, UAE	
PricewaterhouseCoopers Al-Shatti & Co	Sole ownership	Arraya Tower II, 23rd-24th Floor, Safat 13018, P.O. Box 1753, Al-Shuhada Street, Sharq, Kuwait	
PricewaterhouseCoopers Bahrain Limited	Branch	Block 317, Road 1702, Building 135, Flat 41, Manama, Bahrain	
PricewaterhouseCoopers LLP – Muscat Branch	Branch	Salam Square – South, 4th floor, Suites 402-404, Madinat Al Sultan Qaboos, P.O. Box 3075, Ruwi, Post Code 112, Muscat, Oman	
PricewaterhouseCoopers Management Advisory (Baghdad Branch)	Branch	Quarter 601, Street 9, House 16, Al Ameerat Street, Al Mansour District, Baghdad, Republic of Iraq	



## Notes to the financial statements continued

### 27 Subsidiary undertakings and jointly controlled entities continued

Middle East group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office and principal place of business
PricewaterhouseCoopers Palestine Limited	Branch	Level 7, Amaar Tower, Al-irsal, PO Box 1317, Ramallah, Palestine
PricewaterhouseCoopers – Public Accountants	Partnership	Kingdom Tower, 21st Floor, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
Saadi & Co. – CPA	Partnership	Shufat Street 5, East Jerusalem, P.O. Box 51084
Strategy& (Lebanon) LLC	Branch	6th Floor, Block A, 2 Park Avenue, Solidere, P.O. Box 16-6541, Beirut, Lebanon
Strategy& (Middle East) Ltd.	Branch	Al Sila Tower, Level 17, Sowwah Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& (Middle East) Ltd. (Abu Dhabi Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& (Middle East) Ltd. (ADGM Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& (Middle East) Ltd. (Oman Branch)	Branch	Muscat International Centre, Muttrah Business District, Bait Al Falj Street, P.O. Box 686, Ruwi, Post Code 112, Muscat, Oman

#### Jointly controlled entities and associates

None of the entities listed below have a material impact on the Group's financial results. All jointly controlled entities and associates are consolidated using the equity method of accounting on the basis that the Group has joint control or significant influence over the entity.

Companies	Country of incorporation	Share class	% directly held by the LLP	% held by the Group
Registered office: 383a Euston Road, London, England, NW1 3AU				
Bolt Partners Limited	England	£0.0001 ordinary shares	–	27
Registered office: Niederkassler Lohweg 18, 40547, Düsseldorf, Germany				
Outbox Deutschland GmbH	Germany	EUR 1.00 ordinary shares	–	50
Registered office: 300 Atlantic Street, Stamford, CT, 06901, USA				
PricewaterhouseCoopers Mobility Technology Services LLC	USA	Membership units	–	50
Registered office: Raamweg 1B, 2596 HL The Hague, The Netherlands				
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	Netherlands	EUR 1.00 C class shares	–	33.33
Registered office: ul. Lecha Kaczyńskiego, 00-638 Warsaw, Poland				
PricewaterhouseCoopers Service Delivery Center Poland Sp. Z o.o.	Poland	PLN 50.00 ordinary shares	–	33.33
Registered office: ul. Puławska 182, 02-670 Warsaw, Poland				
PwC IT Services Sp. Z o.o.	Poland	PLN 50.00 ordinary shares	–	50
Registered office: 1 Embankment Place, London, WC2N 6DX				
PwC Poland Services Limited	England	£1.00 ordinary shares, EUR 1.00 ordinary shares	–	50

The LLP is incorporated in England and Wales.

The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London, WC2N 6RH.



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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.

Registered office: 1 Embankment Place, London, WC2N 6RH.

Registered number: OC303525.