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PricewaterhouseCoopers LLP Members' report and financial statements for the year ended 30 June 2016

Contents

Members' report for the year ended 30 June 2016

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 year ended 30 June 2016.

Principal activities

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

Governance

The governance structure of the LLP comprises:

- The Executive Board – responsible for developing and implementing the LLP's policies and strategy and for its direction and management.
- The Supervisory Board – responsible for overseeing the executive management and representing the interests of all members. The Audit and Risk Committee, a sub-committee of the Supervisory Board, monitors and reviews the integrity of the Group's financial statements.
- The Public Interest Body – responsible for enhancing confidence in public interest aspects of the LLP's decision-making, stakeholder dialogue and management of reputational risks.

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of the LLP during the whole of the year up to 30 June 2016 were Ian Powell, Kevin Ellis and Warwick Hunt. From 1 July 2016 to the date of signing these financial statements, the designated members were Kevin Ellis and Warwick Hunt.

Members' capital

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions totalling £233m (2015: £209m) 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 annuity payments to certain former partners and other equity adjustments. The final allocation and distribution of profit to individual members is made by the Executive Board, once their individual performance has been assessed and the annual financial statements have been approved. The Supervisory Board approves the process and oversees its application.

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

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

Each member's performance income, which in the current year represents on average approximately 37% of their profit share (2015: 37%), 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 and the maintenance of independence and integrity. There is transparency among the members over the total income allocated to each individual.

A portion of the income of certain members who joined the LLP under the terms of the Strategy& acquisition is guaranteed and therefore classified in the income statement as members' remuneration charged as an expense.

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 financial statements.

Statement of members' responsibilities in respect of the financial statements

The Companies Act 2006, as applied to limited liability partnerships, requires members to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of both the LLP and the Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently, subject to any changes disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the LLP or Group will continue in business.

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

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 5 August 2016 on behalf of the Executive Board by:

Kevin Ellis
Chairman and Senior Partner

Warwick Hunt
Chief Operating Officer and
Managing Partner – International

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the parent LLP's affairs as at 30 June 2016 and of the Group's profit and of the Group's and parent LLP's cash flows for the year then ended;
- the Group's financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union;
- the parent 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 financial statements have been prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

This opinion is to be read in the context of what we say below.

What we have audited

The Group's and parent LLP's financial statements ('the financial statements'), which are prepared by PricewaterhouseCoopers LLP, comprise:

- the Group income statement and statement of comprehensive income for the year ended 30 June 2016;
- the Group and parent LLP statements of financial position as at 30 June 2016;
- the Group and parent LLP statements of cash flows and statements of changes in members' equity for the year then ended; 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 comprises applicable law and IFRS as adopted by the European Union and, as regards the parent LLP, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Our responsibilities under those standards are further described below under Responsibilities for the financial statements audit. In performing our audit, as required by those standards, we complied with the Auditing Practices Board's Ethical Standards for Auditors including those requiring us to be independent and objective.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and parent LLP's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by management; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the members' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group's financial statements as a whole to be £30m (2015: £25m). In determining this, we considered a range of benchmarks with specific focus on 1% of Group revenue (2015: 1%), 5% of Group profit for the financial year, 3% of Group total assets and 5% of Group net assets (2015: 5%). The increase in materiality reflects the increased activity and growth of the Group.

We conducted our audit of particular groups of balances or transactions at a level of materiality less than overall materiality ('performance materiality'). In setting performance materiality we evaluate the risk of each audit area having regard to the internal control environment.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £0.5m (2015: £0.5m). Errors below that threshold would also be reported if, in our opinion as auditors, disclosure was required on qualitative grounds.

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

Overview of the scope of our audit

The Group and its material subsidiaries are accounted for from one central operating location with the exception of the Middle East group of subsidiaries. Our audit was conducted from the main operating location and all material subsidiary companies were within the scope of our audit testing. A member firm of the Crowe Horwath International network undertook specified audit procedures in the Middle East under our direction and we visited two locations in the Middle East, reviewed the work of the component auditors and discussed matters with local management and the component auditors.

Areas of particular audit focus

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 estimates and judgements.

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 areas that required particular focus we noted the following changes from the prior year:

- Areas of focus reported in the prior year where our risk assessment has changed – On 1 July 2015, PwC Strategy& Parent (UK) Limited disposed of substantially all of its trading subsidiaries to PwC network firms and undertook a capital reduction programme, resulting in the distribution of substantially all of its fair value to the relevant firms. Accordingly, the valuation of the Group's investment in PwC Strategy& Parent (UK) Limited was not a key area of focus for the current year.
- Areas of focus reported for the first time this year – As part of the Strategy& capital reduction programme noted above, the Group acquired 100% of the Strategy& United Kingdom and Middle East trading subsidiaries. Accordingly, the areas of audit focus for the current year include the accounting for this transaction, evaluation of the fair value arising on acquisition and the subsequent impairment review of goodwill.

Other than relating to the Strategy& transaction noted above and growth in the business, which gave rise to our revised assessment of materiality compared to the prior year, there have been no changes in the Group's overall operations during the current year that significantly impacted our audit. Therefore our assessment of the most significant risks of material misstatement and resulting areas of focus, which are those risks having the greatest effect on the audit strategy, are otherwise the same as in the prior year and are detailed below.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit.

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

Area of focus	How the scope of our audit addressed the area of focus
Revenue recognition and the valuation of unbilled amounts for client work The Group increasingly enters into a broader range of client contract types. The timing of revenue recognition on these contracts is dependent on the fulfilment of contractual terms, which can be complex and involve subjective judgements on contract completeness and recoverability. Judgements are also required in assessing the fair value of unbilled amounts for client work.	We selected a sample of client assignments focusing on material contracts and contracts that met certain identified risk criteria. Contract terms were examined and relevant information obtained from the client engagement team. The justification for the stage of contract completeness, revenue recognised, provisions held against unbilled amounts for client work and the assessment of the fair value of unbilled revenue at the year end were appropriately challenged, reviewed and discussed with engagement teams and line of service management and supporting evidence obtained. In each case we checked that revenue had been recognised in line with contractual terms and the Group's stated revenue recognition policy. We also considered the judgements made by engagement teams and by line of service management in light of the evidence provided. We found no material misstatements arising from our testing.
Provision 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.	We met with the Group's general counsel to discuss client claims and action 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 judgements made by management in determining the provision for claims and regulatory proceedings to be reasonable in light of the evidence.
Strategy& business combination When an acquisition occurs, an evaluation is made regarding the fair value of assets, liabilities and other intangible assets acquired and the fair value of goodwill arising.	We evaluated the method upon which the fair value of goodwill arising on the acquisition of the Strategy& United Kingdom and Middle East trading subsidiaries had been determined, and substantively tested management's assessment of the fair value of all assets, liabilities and other intangible assets acquired. We challenged management's approach, including their evaluation of separately identifiable intangible assets arising on acquisition. Based upon the evidence provided, the assumptions made and our understanding of the business combination, we consider management's approach for identifying separately identifiable intangible assets and determining the fair value of these, together with the goodwill arising on acquisition, to be reasonable.
Goodwill impairment When assessing the carrying value of goodwill, management make judgements regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill is impaired.	We evaluated, in comparison to the requirements set out in IAS 36, management's assessment as to whether goodwill was impaired. We challenged, reviewed and considered, by reference to external evidence, management's impairment model and key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates. Based upon the evidence provided, the assumptions made and our understanding of the current and anticipated trading performance of the underlying cash generating units, we consider management's judgement regarding the carrying value of goodwill to be reasonable.

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

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Going concern

The members have concluded that it is appropriate to prepare the Group's and parent LLP's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and parent LLP have adequate resources to remain in operation, and that the members intend them to do so. The members have requested that we report on their conclusion. In doing so, we have nothing material to add or draw attention to.

However, because not all future events or conditions can be predicted, this is not a guarantee as to the Group's and the parent LLP's ability to continue as a going concern.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006, as applied to limited liability partnerships, we are required 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 parent LLP, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent LLP's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other information in the members' report and financial statements

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the members' report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and parent LLP acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements audit

Our responsibilities and those of the members

As explained more fully in the statement of members' responsibilities in respect of the financial statements set out on page 2, the members are responsible for the preparation of the Group's and parent LLP's financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group's and parent LLP's financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

Nigel Bostock.

Nigel Bostock
(Senior Statutory Auditor)

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

5 August 2016

Consolidated income statement for the year ended 30 June 2016

	Note	2016 £m	2015 £m	Increase (Decrease)
Revenue	2	3,437	3,083	11%
Expenses and disbursements on client assignments		(432)	(379)	14%
Net revenue		3,005	2,704	11%
Staff costs	3	(1,537)	(1,330)	16%
Depreciation, amortisation and impairment	4	(55)	(64)	
Other operating charges	4	(541)	(456)	19%
Operating profit		872	854	2%
Finance income	5	2	–	
Finance expense	5	(6)	(4)	
Profit on ordinary activities before taxation and members' remuneration		868	850	2%
Tax expense in corporate subsidiaries	6	(36)	(32)	
Profit for the year before members' remuneration		832	818	2%
Members' remuneration charged as an expense	7	(3)	–	
Profit for the year		829	818	1%
Profit for the year attributable to:				
Members	21	747	755	(1)%
Non-controlling interests	21	82	63	30%
Profit for the year		829	818	1%

Consolidated statement of comprehensive income for the year ended 30 June 2016

	Note	2016 £m	2015 £m
Profit for the year		829	818
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	23	7	5
Translation of foreign operations		9	–
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefits	20	50	55
Other comprehensive income for the year		66	60
Total comprehensive income for the year		895	878
Total comprehensive income for the year attributable to:			
Members		804	815
Non-controlling interests		91	63
Total comprehensive income for the year		895	878

There is no tax on any component of other comprehensive income.

Statements of financial position at 30 June 2016

	Note	Group 2016 £m	Group 2015 £m	LLP 2016 £m	LLP 2015 £m
Non-current assets					
Property, plant and equipment	8	186	185	–	–
Goodwill	9	79	46	6	6
Other intangible assets	9	33	24	–	1
Investments in subsidiaries	10	–	–	60	57
Interests in joint ventures	11	2	1	–	–
Other investments	12	33	85	21	18
Deferred tax asset	19	3	1	–	–
Retirement benefit asset	20	92	18	92	18
		428	360	179	100
Current assets					
Trade and other receivables	13	1,179	931	785	704
Cash and cash equivalents	14	214	253	145	206
		1,393	1,184	930	910
Total assets		1,821	1,544	1,109	1,010
Current liabilities					
Trade and other payables	15	(776)	(695)	(368)	(400)
Corporation tax		(27)	(19)	–	–
Borrowings	16	(113)	(44)	–	–
Provisions	17	–	(1)	–	(1)
Members' capital	18	(9)	(13)	(9)	(13)
		(925)	(772)	(377)	(414)
Non-current liabilities					
Provisions	17	(54)	(44)	(12)	(12)
Members' capital	18	(224)	(196)	(224)	(196)
Other non-current liabilities	15	(91)	(52)	–	–
		(369)	(292)	(236)	(208)
Total liabilities		(1,294)	(1,064)	(613)	(622)
Net assets		527	480	496	388
Equity					
Members' reserves	21	559	496	496	388
Non-controlling interests	21	(32)	(16)	–	–
Total equity		527	480	496	388
Members' interests					
Members' capital	18	233	209	233	209
Members' reserves	21	559	496	496	388
Total members' interests	21	792	705	729	597

The financial statements on pages 7 to 41 were authorised for issue and signed on 5 August 2016 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC303525, by:

Kevin Ellis
Chairman and Senior Partner

Warwick Hunt
Chief Operating Officer and
Managing Partner – International

Statements of cash flows for the year ended 30 June 2016

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash flows from operating activities				
Profit for the year	829	818	799	712
Tax on profits	36	32	–	–
Adjustments for:				
Depreciation, amortisation and impairment	55	64	3	16
Finance income	(2)	–	(2)	(1)
Finance expense	6	4	–	1
Foreign exchange gains on operating activities	(4)	–	(3)	–
Income from investments	–	–	(162)	(35)
Changes in working capital (excluding the effects of acquisitions):				
Increase in trade and other receivables	(116)	(99)	(81)	(67)
(Decrease) increase in trade and other payables	(2)	53	(32)	40
Increase (decrease) in provisions and other non-current liabilities	47	10	(1)	(5)
Movement in retirement benefits	(23)	(21)	(23)	(21)
Cash generated from operations	826	861	498	640
Tax paid by corporate subsidiaries	(30)	(31)	–	–
Net cash inflow from operating activities	796	830	498	640
Cash flows from investing activities				
Purchase of property, plant and equipment	(49)	(36)	–	–
Proceeds from sale of property, plant and equipment	3	1	–	–
Purchase of intangible assets	(8)	(8)	–	–
Purchase of other businesses (net of cash acquired)	(7)	–	–	–
Purchase of investments	(14)	(44)	(4)	(3)
Purchase of interests in joint ventures	(2)	–	–	–
Proceeds from capital repayments by joint ventures	1	–	–	–
Proceeds from capital repayments by subsidiary undertakings	–	–	6	2
Interest received	1	–	1	1
Income received from investments	–	–	155	35
Net cash (outflow) inflow from investing activities	(75)	(87)	158	35
Cash flows from financing activities				
Payments to members	(741)	(684)	(741)	(684)
Payments to non-controlling interests	(107)	(65)	–	–
Interest paid	(5)	(2)	–	–
Movement in borrowings	69	(8)	–	–
Compensating payments by members	–	7	–	–
Capital contributions by members	43	14	43	14
Capital repayments to members	(19)	(13)	(19)	(13)
Net cash outflow from financing activities	(760)	(751)	(717)	(683)
Net decrease in cash and cash equivalents	(39)	(8)	(61)	(8)
Cash and cash equivalents at beginning of year	253	261	206	214
Cash and cash equivalents at end of year (note 14)	214	253	145	206

Statements of changes in members' equity for the year ended 30 June 2016

	Group			LLP
	Available for division among members £m	Attributable to non-controlling interests £m	Total £m	Total £m
Balance at beginning of prior year (note 21)	365	(14)	351	305
Profit for the year	755	63	818	712
Other comprehensive income for the year	60	–	60	55
Total comprehensive income	815	63	878	767
Allocated profit in the year	(684)	(65)	(749)	(684)
Transactions with owners	(684)	(65)	(749)	(684)
Balance at end of prior year (note 21)	496	(16)	480	388
Profit for the year	747	82	829	799
Other comprehensive income for the year	57	9	66	50
Total comprehensive income	804	91	895	849
Allocated profit in the year	(741)	(107)	(848)	(741)
Transactions with owners	(741)	(107)	(848)	(741)
Balance at end of year (note 21)	559	(32)	527	496

Notes to the financial statements for the year ended 30 June 2016

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').

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 years presented.

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

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

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

New standards and interpretations adopted in the year

During the year, the Group adopted amendments to IFRS 3 'Business combinations', IFRS 13 'Fair value measurement', IAS 16 'Property, plant and equipment', IAS 19 'Employee benefits', IAS 38 'Intangible assets' and IAS 39 'Financial instruments – Recognition and measurement'. These changes have not had a significant impact on the financial statements.

New standards and interpretations not yet adopted

The following IFRS standards and IFRS IC interpretations have been issued by the IASB and have not been early adopted:

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39. IFRS 9 will become effective for the accounting period to June 2019, subject to EU endorsement, and is not expected to have a material impact on the Group's results.
- IFRS 15 'Revenue from contracts with customers' addresses the recognition and measurement of revenue and replaces IAS 18 'Revenue' and IAS 11 'Construction contracts'. While the Group's accounting policy for revenue will change as a result of adopting IFRS 15, the changes are not expected to have a significant impact on the timing or value of the Group's revenue. IFRS 15 requires revenue to be recognised only to the extent that it is highly probable that the revenue will not subsequently be reversed. This is broadly in line with the Group's current accounting policy. The most significant impact on the Group is the requirement for more detailed segmentation of contracts to allow separate performance obligations to be tracked. IFRS 15 will become effective for the accounting period to June 2019, subject to EU endorsement.
- IFRS 16 'Leases' replaces IAS 17 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 the lease payment will be apportioned between a capital repayment of the lease liability and a finance charge. Had the Group adopted IFRS 16 at 30 June 2016, the effect under the modified retrospective approach would have been to recognise a right-of-use asset and a lease liability estimated to be £650m. IFRS 16 will become effective for the accounting period to June 2020, subject to EU endorsement.

Critical accounting estimates and judgements

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

The principal estimates and judgements that could have a significant effect upon the Group's financial results relate to the fair value of unbilled revenue on client assignments, receivables valuation, provisions in respect of claims and regulatory proceedings and property costs, valuation of acquired intangible assets and goodwill impairment. In addition, the net deficit or surplus disclosed for each defined benefit pension scheme and subsidiary undertaking annuity provisions are sensitive to movements in the related actuarial assumptions, in particular the discount rate, inflation and mortality. Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued. Further details of significant estimates and judgements are set out in the related notes to the financial statements.

1 Basis of preparation continued

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. 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.

2 Revenue

Revenue represents amounts recoverable from clients for professional services provided during the year. It is measured at the fair value of consideration received or receivable on each client assignment, including expenses and disbursements but excluding Value Added Tax. Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow.

Revenue recognition occurs in the period in which services are rendered by reference to the stage of completion, which is assessed on actual services provided as a proportion of total services to be provided.

Revenue in respect of contingent fee assignments, over and above any agreed minimum fee, is recognised when the contingent event occurs.

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

3 Staff costs

Group

	2016 £m	2015 £m
Salaries	1,298	1,132
Social security costs	130	117
Pension costs in respect of defined contribution schemes (note 20)	105	81
Past service cost in respect of defined benefit schemes (note 20)	4	–
	1,537	1,330

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

The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees before their retirement or providing termination benefits as a result of an offer made to encourage voluntary severance. Termination benefits of £8m are included within salaries for the year to 30 June 2016 (2015: £4m).

The average monthly number of Group employees during the year was 21,864 (2015: 19,714), including practice support staff of 4,135 (2015: 3,712).

LLP

On 31 March 2016, 2,545 employees, including practice support staff of 1,194, were transferred from a subsidiary company to the LLP.

The average monthly number of LLP employees during the year was 622 (2015: nil), including practice support staff of 292 (2015: nil).

4 Other operating costs

Depreciation, amortisation and impairment

	2016 £m	2015 £m
Depreciation of property, plant and equipment (note 8)	45	40
Amortisation of other intangible assets (note 9)	10	9
Impairment of goodwill (note 9)	–	1
Impairment of investments (note 12)	–	14
	55	64

Other operating charges

Other operating charges include:

	2016 £m	2015 £m
Operating lease rentals:		
land and buildings	66	60
plant and machinery	7	7
	73	67

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are recognised on a straight-line basis over the lease term as a reduction of rental expense.

Total fees and expenses payable to the auditors, Crowe Clark Whitehill LLP, for the year ended 30 June 2016 were £0.5m (2015: £0.5m). This comprised audit fees of £0.4m (2015: £0.4m) relating to the LLP and Group consolidation and other service fees of £0.1m (2015: £0.1m) relating to the audit of subsidiary companies and audit related assurance.

5 Finance income and expense

	2016 £m	2015 £m
Finance income		
Interest receivable	1	–
Net interest income on pension schemes (note 20)	1	–
	2	–
Finance expense		
Interest payable	(5)	(2)
Unwinding of discount on provisions (note 17)	(1)	(1)
Net interest expense on pension schemes (note 20)	–	(1)
	(6)	(4)
Net finance expense	(4)	(4)

6 Tax expense in corporate subsidiaries

Certain companies consolidated in these financial statements are subject to corporate taxes based on their profits for the year. Income tax payable on the profits of the LLP and other LLPs consolidated within the Group is solely the personal liability of the individual members of those LLPs and consequently is not dealt with in these financial statements.

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

	2016 £m	2015 £m
Current tax on income of corporate subsidiaries for the year	38	33
Deferred tax movements (note 19)	(2)	(1)
Tax expense in corporate subsidiaries	36	32

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

	2016 £m	2015 £m
Profit on ordinary activities of corporate entities before tax	156	124
Tax expense at UK standard rate of 20% (2015: 20.75%)	31	26
Impact of items not deductible for tax purposes	5	5
Foreign taxes not recoverable	–	1
Adjustment to tax charge in respect of prior years	(1)	–
Effect of different tax rates in which the Group operates	1	–
	36	32

7 Members' profit shares

The final allocation and distribution of profit to individual members is made after the financial statements have been approved. Ian Powell, the Chairman who held office during the year, was the member with the largest entitlement to profit. The Executive Board represents key management personnel for the purposes of these financial statements.

Each member's actual 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 corporation tax on subsidiary profits.

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

	2016 Estimate	2015 Actual	2015 Estimate
Average per member (excluding members on secondment overseas)	£706,000	£740,000	£740,000
Chairman who held office during the year	£3.8m	£4.0m	£4.0m
Executive Board (2016: 12 members; 2015: 12 members)	£22.5m	£23.8m	£23.6m

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

	2016 Number	2015 Number
UK members	890	849
Members on secondment overseas	36	36
	926	885

Excluding members on secondment overseas, the average profit per member based on these financial statements was £839,000 (2015: £889,000), 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 estimated profit attributable to Ian Powell was £4.6m (2015: actual £4.9m, estimated £4.9m). The full time equivalent number of members serving on the Executive Board during the year to 30 June 2016 was 12 (2015: 12). The estimated profit attributable to the members of the Executive Board totals £27.1m (2015: actual £28.9m, estimated £28.6m).

Members' remuneration charged as an expense comprises guaranteed bonus arrangements relating to the acquisition of the UK Strategy& trading companies.

8 Property, plant and equipment

Group

	Freehold property £m	Leasehold property £m	Fittings, furniture and equipment £m	Total £m
Cost				
At beginning of prior year	6	78	211	295
Additions	–	1	35	36
Disposals	–	(3)	(10)	(13)
At end of prior year	6	76	236	318
Additions	–	10	39	49
Disposals	–	–	(24)	(24)
At end of year	6	86	251	343
Accumulated depreciation				
At beginning of prior year	2	18	85	105
Depreciation charge for the year	–	5	35	40
Disposals	–	(3)	(9)	(12)
At end of prior year	2	20	111	133
Depreciation charge for the year	–	4	41	45
Disposals	–	–	(21)	(21)
At end of year	2	24	131	157
Net book amount at end of prior year	4	56	125	185
Net book amount at end of year	4	62	120	186

Property, plant and equipment is measured at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided on a straight-line basis from the point the asset is available for use over the following estimated useful 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 2016 amounted to £3m (2015: £5m). Included within fittings, furniture and equipment are £9m (2015: £6m) of assets under construction. The capital commitments contracted but not provided for and assets under construction relate principally to the refurbishment of certain regional offices.

8 Property, plant and equipment continued

LLP

	Leasehold property £m
Cost	
At beginning of prior year	5
Disposals	(3)
At end of prior year	2
Disposals	–
At end of year	2
Accumulated depreciation	
At beginning of prior year	5
Depreciation charge for the year	–
Disposals	(3)
At end of prior year	2
Depreciation charge for the year	–
Disposals	–
At end of year	2
Net book amount at end of prior year	–
Net book amount at end of year	–

There were no capital commitments or assets under construction in the LLP.

9 Goodwill and other intangible assets

Group

	Goodwill £m	Customer relationships £m	Computer software £m	Total other intangible assets £m
Cost				
At beginning of prior year	52	8	83	91
Exchange differences	1	1	–	1
Additions	–	–	8	8
Final fair value adjustments on prior year acquisitions	(1)	–	–	–
Disposals	–	–	(2)	(2)
At end of prior year	52	9	89	98
Exchange differences	2	2	–	2
Acquired through business combinations	31	10	–	10
Additions	–	–	8	8
Disposals	–	–	(1)	(1)
At end of year	85	21	96	117
Accumulated amortisation/impairment				
At beginning of prior year	5	5	62	67
Amortisation charge for the year	–	1	8	9
Impairment charge for the year	1	–	–	–
Disposals	–	–	(2)	(2)
At end of prior year	6	6	68	74
Exchange differences	–	1	–	1
Amortisation charge for the year	–	2	8	10
Disposals	–	–	(1)	(1)
At end of year	6	9	75	84
Net book amount at end of prior year	46	3	21	24
Net book amount at end of year	79	12	21	33

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 seven to ten years.

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.

Included within computer software are £8m (2015: nil) of assets under construction.

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 values of the assets transferred and the liabilities incurred by the Group, including those from any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such assets, liabilities and contingent liabilities. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. 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.

9 Goodwill and other intangible assets continued

Strategy&

On 1 July 2015, the Group acquired 100% of the share capital of the United Kingdom and Middle East Strategy& trading companies from the PwC Strategy& Parent (UK) Limited group. These acquisitions had the following effect on the Group's assets and liabilities:

	Strategy& UK £m	Strategy& ME £m	Total £m
Intangible assets	3	7	10
Trade and other receivables	23	93	116
Trade and other payables	(23)	(60)	(83)
Identifiable net assets acquired	3	40	43
Goodwill on acquisition	8	16	24
Total purchase consideration	11	56	67
Consideration satisfied by:			
Reduction in fair value of other investments (note 12)	11	56	67
Total purchase consideration	11	56	67

Separately recognised intangible assets comprise the customer relationships acquired, which are measured at fair value, representing the present value of future profits anticipated from these relationships. Acquired trade receivables are presented at their fair value, net of impairment provisions of £14m. The goodwill on acquisition is primarily attributable to the companies' existing workforces.

The Group incurred £3m of transaction costs in respect of the acquisitions, which have been included in other operating expenditure. The consolidated income statement for the year ended 30 June 2016 includes £118m of revenue and £17m of profit in respect of the acquired Strategy& companies.

Other acquisitions

During the year, the Group also acquired a 100% interest in Ellis Financial Systems Limited (subsequently renamed PwC Tax Information Reporting Limited), which offers specialised tax software for wealth advisors; a 100% interest in Praxism Limited (subsequently renamed PricewaterhouseCoopers Assurance UK Limited), which offers identity and access management solutions; and a 100% interest in HLP Consulting Limited, which provides dispute resolution services to the construction industry.

The combined consideration of these acquisitions was £8m, of which £1m is deferred over three years. The fair values of assets and liabilities recognised on acquisition, including intangible assets, approximate to the pre-acquisition carrying values based on the respective accounts prepared as at the acquisition dates. The combined net asset value, pending final valuation, was £1m. The Group recognised £7m of goodwill in respect of these acquisitions, which is attributable to the companies' existing workforces.

Impairment reviews

The largest element of the goodwill held within the Group is £50m (2015: £29m) in respect of the LLP's strategic alliance in the Middle East, including the goodwill recognised on acquisition of the Middle East Strategy& trading companies. The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows. An average annual revenue growth assumption of 13% has been used (2015: 16%). Cash flows for the periods beyond existing budgets have been extrapolated using a 5% historic long-term GDP annual regional growth rate (2015: 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% (2015: 12%).

The remaining goodwill represents UK acquisitions, including the UK Strategy& trading companies, and relates primarily to the provision of consulting services.

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

9 Goodwill and other intangible assets continued

LLP

	Goodwill £m	Customer relationships £m	Computer software £m	Total other intangible assets £m
Cost				
At beginning of prior year	6	1	15	16
Additions	–	–	–	–
At end of prior year	6	1	15	16
Additions	–	–	–	–
At end of year	6	1	15	16
Accumulated amortisation/impairment				
At beginning of prior year	–	1	12	13
Amortisation charge for the year	–	–	2	2
At end of prior year	–	1	14	15
Amortisation charge for the year	–	–	1	1
At end of year	–	1	15	16
Net book amount at end of prior year	6	–	1	1
Net book amount at end of year	6	–	–	–

There were no assets under construction in the LLP at 30 June 2016 (2015: nil).

10 Investments in subsidiaries

LLP

	2016 £m	2015 £m
Shares in subsidiary undertakings		
Cost		
At beginning of year	69	71
Additions	50	–
Capital repayments	(17)	(2)
Disposals	(28)	–
At end of year	74	69
Accumulated impairment		
At beginning of year	12	3
Impairment charge for the year	2	9
At end of year	14	12
Net book amount at end of prior year	57	68
Net book amount at end of year	60	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, which are listed in note 25.

During the year, PricewaterhouseCoopers (Middle East Group) Limited repaid £6m of ordinary share capital to the LLP, reducing the carrying value of this investment to £28m. The LLP subsequently disposed of this investment to PwC Holdings (UK) Limited, a wholly owned subsidiary, together with £22m of ordinary priority shares held in other investments (refer to note 12). As consideration, PwC Holdings (UK) Limited issued £50m of additional share capital and premium to the LLP.

As part of implementing the Strategy& capital reduction programme referred to in note 12, PwC Strategy& UK Holdings LLP repaid £11m of capital to the LLP in exchange for intercompany receivables. The LLP subsequently recognised a £2m impairment charge against the remaining investment in PwC Strategy& UK Holdings LLP.

10 Investments in subsidiaries continued

Non-controlling interests in subsidiary undertakings

The non-controlling interest profits attributable to the members of PricewaterhouseCoopers Legal LLP and 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 accumulated non-controlling interest of this company and its subsidiaries at 30 June 2016 was a reserves deficit of £55m (2015: £30m). The local partners had also subscribed £85m of capital (2015: £47m). 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.

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

	2016 £m	2015 £m
Current		
Assets	289	142
Liabilities	(243)	(116)
Total current net assets	46	26
Non-current		
Assets	67	40
Local partner capital	(85)	(47)
Other liabilities	(26)	(16)
Total non-current net liabilities	(44)	(23)
Net assets	2	3
Equity		
Share capital	57	33
Reserves	(55)	(30)
Total equity	2	3
Shareholder and local partners' interests		
Share capital	57	33
Local partner capital	85	47
Equity reserves attributable to local partners	(55)	(30)
Total shareholder and local partners' interests	87	50

Summarised consolidated income statement

	2016 £m	2015 £m
Revenue	448	285
Profit before income tax expense	76	54
Income tax expense	(9)	(6)
Other comprehensive income	–	–
Total comprehensive income	67	48
Total comprehensive income attributable to non-controlling interests	67	48

10 Investments in subsidiaries continued

Summarised consolidated statement of cash flows

	2016 £m	2015 £m
Cash generated from operations	82	81
Income tax paid	(2)	(5)
Net cash generated from operating activities	80	76
Net cash outflow from investing activities	(46)	(6)
Net cash outflow from financing activities	(25)	(66)
Net increase in cash and cash equivalents	9	4
Cash and cash equivalents at beginning of year	16	12
Cash and cash equivalents at end of year	25	16

11 Interests in joint ventures

	2016 £m	2015 £m
Value at beginning of year	1	1
Share of profit/loss	–	–
Capital investment	2	–
Capital repayments and distributions	(1)	–
Value at end of year	2	1

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

The Group holds interests in three significant joint ventures, Skyval Holdings LLP, which develops, maintains and licenses pension related software; PricewaterhouseCoopers Mobility Technology Services LLC, which offers international mobility services; and PwC Poland Services Limited, which offers specialised cloud-based solutions and transformational services. All jointly controlled entities are listed in note 25.

The Group has 50% voting control in Skyval Holdings LLP and owns 20% of the equity, currently with a 50% share of the profit or loss. The Group also holds licences for the exclusive use of Skyval software, which are recognised within intangible assets. At 30 June 2016, Skyval Holdings LLP had assets of £2m (2015: £3m) and liabilities of £2m (2015: £1m). For the year to 30 June 2016, Skyval Holdings LLP's revenue was £5m (2015: £5m) and profit was £1m (2015: £1m).

The Group has a 50% equity interest in PricewaterhouseCoopers Mobility Technology Services LLC. At 30 June 2016, PricewaterhouseCoopers Mobility Technology Services LLC had assets of £2m (2015: nil) and liabilities of £3m (2015: nil). For the year to 30 June 2016, PricewaterhouseCoopers Mobility Technology Services LLC's revenue was £9m (2015: nil) and loss was £1m (2015: nil).

During the year, the Group acquired a 50% equity interest in PwC Poland Services Limited. The Group also holds preference shares issued by this company, with a fixed repayment plan. These preference shares represent debt instruments and are recognised within other investments. At 30 June 2016, PwC Poland Services Limited had assets of £9m (2015: nil) and liabilities of £5m (2015: nil). For the year to 30 June 2016, PwC Poland Services Limited's revenue was £3m (2015: nil) and profit was nil (2015: nil).

12 Other investments

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Value at beginning of year	85	86	18	65
Additions	14	13	24	3
Impairment charge recognised in profit and loss	–	(14)	–	(5)
Foreign exchange gain recognised in profit and loss	1	–	1	–
Disposals	–	–	(22)	(45)
Reduction in fair value as part of business combinations (note 9)	(67)	–	–	–
Value at end of year	33	85	21	18

Other investments are measured at fair value except where there is no reliable measure of their fair value, in which case they are measured at cost less impairment. Income from investments is recognised in the income statement when entitlement is established.

Strategy&

At the beginning of the prior year, the Group held an equity investment of £71m in PwC Strategy& Parent (UK) Limited ('Strategy& Parent'), which was measured at fair value. During the prior year, the Group invested an additional £10m in Strategy& Parent. A valuation was subsequently performed, which determined the fair value of the investment to be £67m at 30 June 2015. An impairment charge of £14m was therefore recognised in the prior year, reducing the carrying value of the investment to £67m.

In the current year, Strategy& Parent disposed of substantially all of its trading subsidiaries to PwC network firms and undertook a capital reduction programme resulting in the distribution of substantially all of its fair value to the relevant firms. As part of this transaction, the Group acquired the United Kingdom and Middle East Strategy& trading subsidiaries and the fair value of the Group's existing equity holding in Strategy& Parent reduced to substantially nil. This reduction of £67m in fair value constitutes the majority of the purchase consideration for the business combination.

As part of the above transaction, the Middle East Strategy& trading subsidiaries were acquired by PricewaterhouseCoopers (Middle East Group) Limited, a subsidiary of the LLP. As part of this acquisition, PricewaterhouseCoopers (Middle East Group) Limited issued £22m of ordinary priority shares to the LLP. The LLP subsequently transferred these shares to PwC Holdings (UK) Limited, a wholly owned subsidiary. Further details are provided in note 10.

Other investments

As part of a strategic investment plan, the Group invested during the year in £4m (2015: £2m) of preference shares issued by the PwC Central and Eastern European firm and £4m (2015: nil) of preference shares issued by the PwC Central and Southern African firm. At 30 June 2016, the Group's total investment in the PwC Central and Eastern European firm was £8m (2015: £4m) and its total investment in the PwC Central and Southern African firm was £4m (2015: nil). These debt instruments 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 Group also invested in £4m (2015: nil) of interest bearing preference shares issued by PwC Poland Services Limited. These debt instruments are carried at fair value. Further details are provided in note 11.

The Group acquired £2m (2015: nil) of additional interest bearing subordinated loan notes from an entity in the PwC global network. At 30 June 2016, the Group's total investment in these loan notes was £9m (2015: £6m).

At 30 June 2016, the Group and LLP held £8m (2015: £8m) of equity holdings in and subordinated loan notes from entities in the PwC global network, measured at cost less impairment.

13 Trade and other receivables

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Client receivables	529	449	397	381
Due from PwC network firms	61	53	45	46
Trade receivables	590	502	442	427
Other receivables	90	45	13	14
Prepayments	69	60	4	4
Unbilled amounts for client work	430	324	326	259
	1,179	931	785	704

Trade receivables are initially measured at fair value and held at amortised cost less provisions for impairment. Provisions for impairment represent an allowance for doubtful debts that is estimated, based upon current observable data and historical trends.

Unbilled amounts for client work are initially measured at fair value and held at amortised cost less provisions for foreseeable losses.

Group and LLP trade receivables are primarily denominated in sterling. £149m of the Group's trade receivables are denominated in US dollars/US dollar linked currencies (2015: £84m) and £22m are denominated in euros (2015: £15m). The carrying value of trade and other receivables in the Group and LLP is consistent with fair value in the current and prior year.

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

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

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
30 days or less, fully performing	348	324	286	277
31 to 180 days, past due and fully performing	232	173	154	148
More than 180 days, past due and impaired	39	20	10	13
Impairment provision	(29)	(15)	(8)	(11)
	590	502	442	427

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

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Balance at beginning of year	(15)	(15)	(11)	(12)
Acquired through business combinations (note 9)	(14)	–	–	–
Charged to the income statement	(10)	(9)	(5)	(6)
Released unused during the year	6	5	5	4
Utilised during year	4	4	3	3
Balance at end of year	(29)	(15)	(8)	(11)

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

14 Cash and cash equivalents

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Cash at bank and in hand	54	48	3	4
Short-term deposits	160	205	142	202
	214	253	145	206

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 £26m being denominated in US dollars/US dollar linked currencies (2015: £20m) and £4m being denominated in euros (2015: £4m).

15 Trade and other payables

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Current				
Trade payables	112	114	–	–
Amounts owed to subsidiary undertakings	–	–	199	273
Other payables including taxation and social security	172	138	53	19
Accruals	387	321	39	7
Progress billings for client work	105	122	77	101
	776	695	368	400

Trade and other payables are measured at amortised cost.

Group trade payables are primarily denominated in sterling, with £40m being denominated in US dollars/US dollar linked currencies (2015: £40m) and £25m being denominated in euros (2015: £19m). The carrying value of trade and other payables in the Group and LLP is consistent with fair value in the current and prior year. Group current trade payables include amounts owing to PwC network firms totalling £74m (2015: £74m).

Other current payables including taxation and social security comprise:

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Other taxes and social security	110	97	10	–
Other payables	62	41	43	19
	172	138	53	19

Other non-current liabilities

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Capital loans provided by non-controlling interest partners in subsidiary undertakings	91	52	–	–
	91	52	–	–

16 Borrowings

	Group 2016 £m	Group 2015 £m	LLP 2016 £m	LLP 2015 £m
Current				
Bank borrowings	92	30	–	–
Other loans	21	14	–	–
	113	44	–	–

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. The carrying values of borrowings approximate their fair value.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The Group's borrowings at 30 June 2016 and 30 June 2015 were unsecured and denominated in US dollars.

All borrowings mature within one year.

17 Provisions and contingent liabilities

Group

	Annuities £m	Property £m	Claims and regulatory proceedings £m	Total £m
Balance at beginning of prior year	17	14	14	45
Income statement:				
Charge for the year	3	4	6	13
Released unused during the year	–	(1)	(2)	(3)
Unwinding of discount	1	–	–	1
Exchange movements	1	–	–	1
Transfer to accruals	–	(1)	–	(1)
Cash payments	(2)	(3)	(6)	(11)
Balance at end of prior year	20	13	12	45
Income statement:				
Charge for the year	6	2	11	19
Released unused during the year	–	–	(6)	(6)
Unwinding of discount	1	–	–	1
Exchange movements	4	–	–	4
Transfer to accruals	–	(2)	–	(2)
Cash payments	(1)	(1)	(5)	(7)
Balance at end of year	30	12	12	54

17 Provisions and contingent liabilities continued

LLP

	Property £m	Claims and regulatory proceedings £m	Total £m
Balance at beginning of prior year	5	13	18
Income statement:			
Charge for the year	1	6	7
Released unused during the year	–	(2)	(2)
Transfer to accruals	(1)	–	(1)
Cash payments	(3)	(6)	(9)
Balance at end of prior year	2	11	13
Income statement:			
Charge for the year	1	11	12
Released unused during the year	–	(6)	(6)
Transfer to accruals	(1)	–	(1)
Cash payments	(1)	(5)	(6)
Balance at end of year	1	11	12

Disclosed as:

	Group		LLP	
	2016 £m	2015 £m	2016 £m	2015 £m
Current	–	1	–	1
Non-current	54	44	12	12
	54	45	12	13

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 the yield on corporate bonds, adjusted for risk.

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 partners are not members of the LLP and the annuities are unfunded. The provision reflects the present value of the obligations arising from service to date. Any changes in the provision for these annuities arising from changes in entitlements, 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 that have been used in calculating the annuities provision are an assumed retirement age of 57 (2015: assumed retirement age of 57), discount rates of 4.1% for US dollar denominated annuities (2015: 5.3%) and 2.7% for sterling denominated annuities (2015: 3.4%) and inflation rates of 2.3% for US dollar denominated annuities (2015: 2.3%) and 2.6% for sterling denominated annuities (2015: 3.0%).

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

17 Provisions and contingent liabilities continued

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 that discount presented in the income statement as a finance expense. The onerous lease provision covers residual lease commitments up to the end of the lease and is after allowing for existing or expected sublet rental income.

Property provisions at 30 June 2016 and 30 June 2015 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 3.2% (2015: 3.3%).

Claims and regulatory proceedings
In common with comparable professional practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims by clients or investigations commenced by regulatory bodies which may lead to regulatory proceedings. 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. 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.

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 (2015: nil).

Together with other firms in the PwC global network, the Group has committed to provide further funding, should it be required, to two network entities in relation to the Strategy& acquisition. The expected level of future funding required by these entities is reflected in the Group's liabilities.

The Group is committed to provide funding to two entities in the PwC global network. At 30 June 2016, the Group has committed, subject to certain investment conditions, to make additional payments of up to US $51m (2015: US $123m).

The Group has entered into US $31m (2015: US $24m) of guarantees with third-party banks in connection with work performed in foreign territories, predominantly the Middle East.

The LLP has entered into a US $52m (2015: 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 £680m over the remaining lease terms (2015: £702m). 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 consolidated statement of financial position. At 30 June 2016, PricewaterhouseCoopers Services Limited's bank borrowings were nil (2015: nil).

18 Members' capital

	Group and LLP £m
Balance at beginning of prior year	208
Contributions by members	14
Repayments to members	(13)
Balance at end of prior year	209
Contributions by members	43
Repayments to members	(19)
Balance at end of year	233

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

	Group and LLP 2016 £m	Group and LLP 2015 £m
Current	9	13
Non-current	224	196
	233	209

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

19 Deferred tax

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

	2016 £m	2015 £m
Balance at beginning of year	1	–
Credited to the income statement	2	1
Balance at end of year	3	1

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. At 30 June 2016, deferred tax assets comprise temporary differences between capital allowances and depreciation.

Deferred tax is measured at the tax rates that are substantively enacted at the reporting date and expected to apply in the periods in which the temporary differences reverse.

Deferred tax is calculated using a tax rate of 20% for the period to 31 March 2017, 19% for the period to 31 March 2020 and 18% thereafter (2015: 21% for the period to 31 March 2015 and 20% thereafter).

There was no deferred tax arising in the LLP for the years to 30 June 2016 and 30 June 2015.

20 Retirement benefits

Defined contribution schemes

At 30 June 2016, there were 16,746 members of the Group's UK defined contribution schemes (2015: 14,647), of which 4,316 members were auto-enrolled (2015: 3,644). The Group's contributions to the schemes are charged to the income statement as they fall due. Costs of £105m (2015: £81m) were recognised by the Group in respect of the schemes.

Defined benefit schemes

The Group's two defined benefit pension 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 pension scheme arrangements are closed to future service accrual, although certain current employee member benefits remain linked to final salary. Both schemes are funded and their assets are held separately from those of the Group. The liabilities arising in the defined benefit schemes have been assessed for accounting purposes using 31 March 2014 individual member data rolled forward to the reporting date and the projected unit credit method.

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

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

Actuarial gains and losses 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 income statement.

Assumptions

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

	2016	2015	2014
Discount rate	3.0%	3.7%	4.3%
Inflation (RPI)	2.7%	3.1%	3.3%
Inflation (CPI)	1.7%	2.1%	2.3%
Expected rate of increase in salaries	2.7%	2.5%	2.9%
Expected average rate of increase in pensions in payment	2.3%	2.7%	2.8%

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.

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 Increase £m	Plan Increase £m	Total £m
0.5% decrease to discount rate	143	83	226
0.5% increase to salary increases	5	2	7
0.5% increase to inflation	71	47	118
One year increase to life expectancy	36	23	59

The figures 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 members of the Group's schemes versus the standard table by an 89% scaling factor for males and a 92% scaling factor for females, and with future improvements in line with Continuous Mortality Investigation ('CMI') 2013 projections, with a 1.5% long-term rate. The following table illustrates the actual life expectancy for a current pensioner member aged 65 at 30 June and a future pensioner member aged 45 at 30 June:

		2016		2015
	Fund Years	Plan Years	Fund Years	Plan Years
Life expectancy of current pensioners at age 65:				
Male	24	24	23	23
Female	26	26	25	25
Life expectancy of future pensioners at age 65:				
Male	26	26	25	25
Female	28	28	27	27

20 Retirement benefits continued

Income statement

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

	2016 Fund £m	2016 Plan £m	2016 Total £m	2015 Fund £m	2015 Plan £m	2015 Total £m
Net interest income (expense)	1	–	1	(1)	–	(1)
Past service costs	(4)	–	(4)	–	–	–
	(3)	–	(3)	(1)	–	(1)

Scheme assets and defined benefit obligations

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

	Fund			Plan			
	Scheme assets £m	Defined benefit obligation £m	Total £m	Scheme assets £m	Defined benefit obligation £m	Total £m	Total £m
Fair value at beginning of prior year	1,262	(1,313)	(51)	688	(694)	(6)	(57)
Interest income (expense)	54	(55)	(1)	29	(29)	–	(1)
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	150	–	150	80	–	80	230
Changes in financial assumptions	–	(113)	(113)	–	(61)	(61)	(174)
Experience adjustments on defined benefit obligation	–	9	9	–	(10)	(10)	(1)
Contributions by employer	16	–	16	5	–	5	21
Benefits paid	(43)	43	–	(19)	19	–	–
Fair value at end of prior year	1,439	(1,429)	10	783	(775)	8	18
Interest income (expense)	53	(52)	1	28	(28)	–	1
Past service costs	–	(4)	(4)	–	–	–	(4)
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	159	–	159	84	–	84	243
Changes in financial assumptions	–	(126)	(126)	–	(55)	(55)	(181)
Changes in demographic assumptions	–	(21)	(21)	–	(20)	(20)	(41)
Experience adjustments on defined benefit obligation	–	15	15	–	14	14	29
Contributions by employer	21	–	21	6	–	6	27
Benefits paid	(48)	48	–	(31)	31	–	–
Fair value at end of year	1,624	(1,569)	55	870	(833)	37	92

Contributions paid during the year to 30 June 2016 include £22m of deficit reduction contributions, £4m of funding for past service costs and £1m of other funding costs.

20 Retirement benefits continued

The actual return on scheme assets during the year to 30 June 2016 was an increase of £324m (2015: £313m increase). The allocation and market value of assets of the defined benefit schemes were as follows:

	2016			2015		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Property	33	18	51	63	35	98
Hedge funds	306	130	436	284	151	435
Bonds	330	238	568	175	130	305
Gilts	713	312	1,025	801	396	1,197
Cash	199	151	350	93	67	160
Other	43	21	64	23	4	27
Total scheme assets	1,624	870	2,494	1,439	783	2,222
Defined benefit obligation	(1,569)	(833)	(2,402)	(1,429)	(775)	(2,204)
Net retirement benefit asset	55	37	92	10	8	18

Both the Fund and the Plan have significant liability driven investments ('LDI'), the purpose of which is to reduce the exposure of the Fund and the Plan to changes in interest rates and inflation expectations. The LDI holdings are primarily made up of fixed interest gilts, inflation linked gilts and derivatives.

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 2014. These valuations were conducted under the new Scheme Funding Regulations (Pensions Act 2004) and indicated a combined deficit of £275m on a funding basis. Consequently, in agreement with the Trustees, the Group has agreed to make deficit reduction payments of £25m per annum over a ten year period commencing 1 April 2016. The Group therefore currently expects to pay contributions of £25m in the year to 30 June 2017 direct to the schemes. In addition, the Group has entered into an agreement with the Trustees whereby it will contribute an initial £10m into a reservoir trust followed by six further payments of up to £10m per annum. In the event that the schemes are in a deficit position on a funding basis at the end of the trust term, the funds in the reservoir trust will be paid to the schemes, not to exceed the value of the deficit. Contributions to the reservoir trust are expected to commence in the year to 30 June 2017 and are expected to amount to £20m during this period.

The valuations above formed the basis for the accounting update to 30 June 2016 included in these financial statements, prepared under IAS 19 (revised). Notwithstanding the accounting surplus disclosed in these financial statement on an IAS 19 (revised) basis, under a full Scheme Funding Regulation valuation it is likely that a combined funding deficit would persist at this date. The next full actuarial valuations for funding purposes prepared under the Scheme Funding Regulations will be as at 31 March 2017.

21 Total members' interests

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

Group

	Members' interests				Non-controlling interests	
	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m	Reserves £m	Amounts due to (from) non-controlling interests £m
Balance at beginning of prior year	208	365	(7)	566	(14)	–
Profit for the prior year available for division among members	–	755	–	755	63	–
	208	1,120	(7)	1,321	49	–
Allocated profit	–	(684)	684	–	(65)	65
Movement on cash flow hedges	–	5	–	5	–	–
Remeasurements of retirement benefits	–	55	–	55	–	–
Introduced by members	14	–	–	14	–	–
Repayment of capital	(13)	–	–	(13)	–	–
Drawings and distributions	–	–	(684)	(684)	–	(65)
Movement in compensating payment due to subsidiary undertakings	–	–	7	7	–	–
Balance at end of prior year	209	496	–	705	(16)	–
Profit for the current year available for division among members	–	747	–	747	82	–
	209	1,243	–	1,452	66	–
Allocated profit	–	(741)	741	–	(107)	107
Movement on cash flow hedges	–	7	–	7	–	–
Remeasurements of retirement benefits	–	50	–	50	–	–
Translation of foreign operations	–	–	–	–	9	–
Introduced by members	43	–	–	43	–	–
Repayment of capital	(19)	–	–	(19)	–	–
Drawings and distributions	–	–	(741)	(741)	–	(107)
Balance at end of year	233	559	–	792	(32)	–

21 Total members' interests continued

LLP

	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m
Balance at beginning of prior year	208	305	–	513
Profit for the prior year available for division among members	–	712	–	712
	208	1,017	–	1,225
Allocated profit	–	(684)	684	–
Remeasurements of retirement benefits	–	55	–	55
Introduced by members	14	–	–	14
Repayment of capital	(13)	–	–	(13)
Drawings and distributions	–	–	(684)	(684)
Balance at end of prior year	209	388	–	597
Profit for the current year available for division among members	–	799	–	799
	209	1,187	–	1,396
Allocated profit	–	(741)	741	–
Remeasurements of retirement benefits	–	50	–	50
Introduced by members	43	–	–	43
Repayment of capital	(19)	–	–	(19)
Drawings and distributions	–	–	(741)	(741)
Balance at end of year	233	496	–	729

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

22 Commitments under operating leases

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

	2016		2015	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one year	64	5	44	5
1–2 years	62	3	57	3
2–3 years	58	1	56	1
3–4 years	52	–	53	–
4–5 years	50	–	47	–
More than five years	521	–	564	–

23 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, 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 comprises 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 – The balance primarily represents available-for-sale investments, comprising equity holdings and preference shares in, and subordinated loan notes from, entities in the PwC global network.
- Trade and other receivables – The balance primarily represents billed and unbilled amounts in respect of services provided to clients, for which payment has not yet been received.
- Cash and cash equivalents – The Group manages its cash resources in order to meet daily working capital requirements. Cash and any outstanding debt are kept to a minimum and liquid fund deposits are maximised.
- Trade and other payables – The balance primarily represents progress billings to clients and trade payables and accruals in respect of services received from suppliers, for which payment has not yet been made.
- Members' capital – The Group requires members to provide long-term financing, which is classified as a liability.
- Debt – The Group's policy permits short-term variable rate facilities with a maximum facility maturity of five years and long-term fixed borrowing with a maximum maturity of ten years.

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

Liquidity risk

The Group's most significant treasury exposures relate to liquidity. The Group manages the risk of uncertainty in its funding operations by spreading the maturity profile of its borrowings and deposits and arranging committed facilities to provide a minimum headroom of 25% of forecast maximum debt levels. The Group's facilities at 30 June 2016, totalling £492m (2015: £434m), are predominantly held with six leading international banks, with the main £250m facility due to expire in December 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 its credit rating, market capitalisation and relative credit default swap price. The minimum long-term credit rating of all banks and financial institutions who held the Group's short-term deposits during the year was 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.

23 Financial instruments continued

Interest rate risk

The Group's borrowings and any surplus cash balances are held at variable interest rates linked to London interbank offered rate ('LIBOR'). Outstanding borrowings are in US dollars to reflect 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 year would have had an immaterial impact on the pre-tax profits of the Group.

Foreign currency risk

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

Group financial assets and liabilities by category

	2016				2015			
	Loans and receivables £m	Available-for-sale £m	Derivatives used for hedging £m	Other financial liabilities £m	Loans and receivables £m	Available-for-sale £m	Derivatives used for hedging £m	Other financial liabilities £m
Assets								
Trade and other receivables	1,110	–	–	–	871	–	–	–
Investments	–	33	–	–	–	85	–	–
Cash and cash equivalents	214	–	–	–	253	–	–	–
Liabilities								
Trade and other payables	–	–	–	666	–	–	–	598
Borrowings	–	–	–	113	–	–	–	44
Members' capital	–	–	–	233	–	–	–	209
Other non-current liabilities	–	–	–	91	–	–	–	52
Forward foreign-exchange contracts								
Cash flow hedges	–	–	8	–	–	–	1	–

Available-for-sale investments include £13m (2015: £6m) of investments measured at fair value using observable inputs and £12m (2015: £71m) of investments measured at fair value using unobservable inputs. Further details are provided in note 12.

The fair values of all derivatives are based on observable inputs.

Interest rate profile of financial assets and liabilities

Group short-term deposits with banks of £160m (2015: £205m) and Group borrowings of £113m (2015: £44m) are subject to floating interest rates. LLP short-term deposits with banks of £142m (2015: £202m) are also subject to floating interest rates. Group investments include floating rate subordinated loan notes of £9m (2015: £6m) and fixed rate preference shares of £16m (2015: £4m). LLP investments include floating rate subordinated loan notes of £6m (2015: £5m) and fixed rate preference shares of £8m (2015: £4m).

Currency profile of financial assets and liabilities

The major part of the Group's income and expenditure is in sterling. After taking into account forward contracts and known US dollar and euro denominated assets and liabilities, the Group had net US dollar denominated liabilities at 30 June 2016 of £5m (2015: net assets £48m) and net euro denominated assets at 30 June 2016 of £14m (2015: £4m).

Derivative financial instruments

Forward foreign-exchange contracts all mature in less than two years, and have been valued using forward market prices prevailing at the reporting date. The ineffective portion of cash flow hedges recognised in the income statement was a £1m gain (2015: nil). The effective portion of cash flow hedges recognised directly in other comprehensive income was £7m (2015: £5m). The notional principal amount of forward foreign-exchange contracts was £111m (2015: £107m).

24 Related party transactions

The LLP and the PricewaterhouseCoopers United Kingdom Partnership are related parties because they are both controlled by the same group of individuals and the United Kingdom Partnership is the predecessor firm of the LLP. This controlling group of individuals consists of all the members of the LLP, who are also all the 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 year ended 30 June 2016, the LLP provided services to the United Kingdom Partnership to the value of £161,000 (2015: £216,000) under these arrangements. There were no balances outstanding at the end of the year (2015: 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 for these support services for the year ended 30 June 2016 (2015: £200,000). There were no balances outstanding at the end of the year (2015: nil). Amounts paid during the year to the annuitants on behalf of the continuing members in their capacity as members of the United Kingdom Partnership totalled £95m (2015: £95m).

Transactions with joint ventures

Details of the Group's interests in joint ventures are provided in note 11. During the year, Skyval Limited, a wholly owned subsidiary of Skyval Holdings LLP, charged the Group £3,283,000 (2015: £5,346,000) for services provided. The Group charged Skyval Limited £527,000 (2015: £832,000) for services provided. At 30 June 2016, the Group had an outstanding balance of £31,000 receivable from Skyval Limited (2015: £166,000).

In addition, the Group made capital contributions of £2,155,000 (2015: nil) and subscribed for preference shares of £4,143,000 (2015: nil) in PwC Poland Services Limited. PwC Poland Services Limited and its subsidiaries charged the Group £71,000 (2015: nil) for services provided. There were no balances outstanding at the end of the year (2015: nil).

LLP

The subsidiary undertakings listed in note 25 are related parties of the LLP. The transactions during the year with these related parties were as follows:

	2016 £m	2015 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	1,814	1,665
Other subsidiaries	16	15
Provision of services to related parties		
Other subsidiaries	(30)	(29)
Income received from investments in related parties		
PwC Holdings (UK) Limited	(148)	–
PricewaterhouseCoopers Services Limited	–	(30)
Other subsidiaries	(14)	(5)

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

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

	2016 £m	2015 £m
PricewaterhouseCoopers Services Limited	(234)	(329)
PwC Holdings (UK) Limited	21	–
PricewaterhouseCoopers (Middle East Group) Limited	18	15
Other subsidiaries	(4)	41
	(199)	(273)

25 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, except for EMEA Advisory Services Ltd, which is 66.66% owned.

UK companies	Country of incorporation	Share class	% directly held by PwC LLP
AIMS Holdings No. 1 Limited	England	£1.00 ordinary shares	–
AIMS Holdings No. 2 Limited	England	£1.00 ordinary shares	–
Awardguide Limited (in liquidation)	England	£1.00 ordinary shares	100
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	–
COBA Group Limited (in liquidation)	England	£0.01 ordinary shares	–
Cooper Brothers & Co Limited	England	A and B class ordinary £1.00 shares	100
Coopers & Lybrand (Abacus House) Limited (in liquidation)	England	A and B class ordinary £1.00 shares	100
Coopers & Lybrand (Services) – (an unlimited company) (in liquidation)	England	A and B class ordinary £1.00 shares	100
Coopers & Lybrand Limited	England	£1.00 ordinary shares	100
Coopers & Lybrand Overseas – (an unlimited company) (in liquidation)	England	A and B class ordinary £1.00 shares	–
European Business Forum Limited (in liquidation)	England	C and P class ordinary EUR 1.00 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
Invemere Limited (in liquidation)	England	£1.00 ordinary shares	–
Logan Tod & Company Limited (in liquidation)	England	£0.00333 ordinary shares	–
Paragon Consulting Group Limited (in liquidation)	England	£0.01 ordinary shares	–
Paragon Consulting Holdings Limited (in liquidation)	England	£0.01 ordinary shares	–
Petershill Properties Limited (in liquidation)	England	£1.00 ordinary shares	100
Price Waterhouse Limited	England	£1.00 ordinary shares	–
Price Waterhouse Management Consulting Limited (in liquidation)	England	£1.00 ordinary shares and £1.00 special share	–
Price Waterhouse MCS UK Holding Company – (an unlimited company)	England	£1.00 ordinary shares and £1.00 preference share	–
Price Waterhouse MCS UK Holdings BV	Netherlands	EUR 1.00 ordinary shares	99
PricewaterhouseCoopers (Registration) – (an unlimited company) (in liquidation)	England	A and B class ordinary £1.00 shares	–
PricewaterhouseCoopers (Resources) – (an unlimited company)	England	£1.00 ordinary shares	20
PricewaterhouseCoopers Advisory Services Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers AIMS Support Services India Private Limited	India	INR 500 ordinary shares	–
PricewaterhouseCoopers Alliance Limited	Guernsey	£nil ordinary shares	50
PricewaterhouseCoopers ASM Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Associates (NI) Limited	Northern Ireland	A and B class £1.00 ordinary shares	100
PricewaterhouseCoopers Associates Limited (in liquidation)	England	A and B class ordinary £1.00 shares	–
PricewaterhouseCoopers Assurance UK Limited	Scotland	£1.00 ordinary shares	–
PricewaterhouseCoopers Audit Company Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Business Assurance Services Limited (in liquidation)	England	£1.00 ordinary shares	100
PricewaterhouseCoopers CFR Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers Financial Services (NI) Limited	Northern Ireland	A and B class £1.00 ordinary shares	100
PricewaterhouseCoopers Insurance Services Limited (in liquidation)	England	A and B class £1.00 ordinary shares	100
PricewaterhouseCoopers IPT Agency Limited (in liquidation)	England	£1.00 ordinary shares	100
PricewaterhouseCoopers ME Holdings Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Northern Ireland Limited	Northern Ireland	£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	–
PW Admin. Co. – (an unlimited company)	Northern Ireland	£1.00 ordinary shares	100
PwC Change Management Holdings Limited	England	£1.00 ordinary shares	–
PwC Change Management Limited	England	£1.00 ordinary shares	–
PwC Consulting Associates Limited	England	£1.00 ordinary shares	–
PwC Holdings (UK) Limited	England	£1.00 ordinary shares	100
PwC Holdings UK No.1 Limited	England	£1.00 ordinary shares	–
PwC Information Technology Services Limited	England	£1.00 ordinary shares	–
PwC London Bridge Limited	England	£1.00 ordinary shares	–

25 Subsidiary undertakings and jointly controlled entities continued

UK companies	Country of incorporation	Share class	% directly held by PwC LLP
PwC Performance Solutions (No. 2) Limited	England	£1.00 ordinary shares	–
PwC Performance Solutions (No. 3) Limited	England	£1.00 ordinary shares	–
PwC Performance Solutions Limited	England	£0.05 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	100
Schools Solutions Limited	England	£1.00 ordinary shares	–
STS Nominees No.35 Limited (in liquidation)	England	£1.00 ordinary shares	100
STS Nominees No.36 Limited (in liquidation)	England	A and B class ordinary £1.00 shares	100
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
The Barbinder Trust (Scotland) – (an unlimited company)	Scotland	£1.00 ordinary shares	–
Vatrec Limited (in liquidation)	England	£1.00 ordinary shares	100

Channel Islands companies	Country of incorporation	Share class	% directly held by PwC LLP
Midhurst Properties Limited	Guernsey	£1.00 ordinary shares	–
Pembroke House Limited	Guernsey	£1.00 ordinary shares	–
PricewaterhouseCoopers Professional Services Limited	Jersey	£1.00 ordinary shares	–
PricewaterhouseCoopers Services (Guernsey) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Services (Jersey) Limited	Jersey	£1.00 ordinary shares	–
PwC Channel Islands Limited	Jersey	£1.00 ordinary shares	–
PwC Properties (Guernsey) Limited	Guernsey	£1.00 ordinary shares	–
PwC Properties (Jersey) Limited	Jersey	£1.00 ordinary shares	–
PwC Pension Scheme Trustees Limited	Jersey	£1.00 ordinary shares	–

PwC Legal companies	Country of incorporation	Share class	% directly held by PwC LLP
PricewaterhouseCoopers Legal (Resources) Limited	England	£1.00 ordinary shares	–
PwC Legal (UAE) Limited	England	£1.00 ordinary shares	–
Petershill Secretaries Limited	England	£1.00 ordinary shares	–
Sunbury Secretaries Limited	England	£1.00 ordinary shares	–

Middle East Group companies	Country of incorporation	Share class	% directly held by PwC LLP
Al Motahedoon Company Chartered Accountants and Registered Auditors LLC	Libya	LYD 1.00 ordinary shares	–
EMEA Advisory Services Ltd	UAE	USD 1.00 ordinary shares	–
Harding Lowe Professionals LLC	UAE	AED 1.00 ordinary shares	–
HLP Commercial Brokers LLC	UAE	AED 1.00 ordinary shares	–
HLP Consulting Limited	British Virgin Islands	USD 1.00 ordinary shares	–
HLP International Consulting LLC	UAE	AED 1.00 ordinary shares	–
PricewaterhouseCoopers – LLC	Egypt	EGP 100.00 ordinary shares	–
PricewaterhouseCoopers (Holdings) Guernsey Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers (Holdings) Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers (Jordan)	Jordan	JOD 1.00 ordinary shares	–
PricewaterhouseCoopers (Middle East Group) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers (Offshore) S.A.L	Lebanon	LBP 30,000.00 ordinary shares	–
PricewaterhouseCoopers Advisory Limited	Saudi Arabia	SAR 2,000.00 ordinary shares	–
PricewaterhouseCoopers Advisory Services WLL	Kuwait	KWD 5,000.00 ordinary shares	–
PricewaterhouseCoopers Bahrain Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Bahrain Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Financial Consultancy SAE	Egypt	EGP 100.00 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	–

25 Subsidiary undertakings and jointly controlled entities continued

Middle East Group companies	Country of incorporation	Share class	% directly held by PwC LLP
PricewaterhouseCoopers Kuwait Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Kuwait Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Libya Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Limited	UAE	AED 1.00 ordinary shares	–
PricewaterhouseCoopers Management Advisory LLC	Iraq	IQD 1.00 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 Qatar – LLC	Qatar	USD 1.00 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	–
PricewaterhouseCoopers Saudi Arabia Holdco Limited	Guernsey	£nil ordinary shares	–
PwC Academy LLC	UAE	AED 1.00 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	–
PwC Strategy& Services (Middle East) Limited	USA	USD 1.00 ordinary shares	–
Strategy& (Egypt) LLC	Egypt	EGP 100.00 ordinary shares	–
Strategy& (Lebanon) LLC	USA	USD 1.00 ordinary shares	–
Strategy& (M.E.) LLC	UAE	AED 1.00 ordinary shares	–
Strategy& (Middle East) Ltd.	Cayman Islands	USD 1.00 ordinary shares	–
Strategy& (QFC) LLC	Qatar	USD 1.00 ordinary shares	–
Strategy& Services (Middle East) LLC	Oman	OMR 1.00 ordinary shares	–

UK partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office
Accounting Advisory (UK) LLP	Limited liability partnership	1 Embankment Place, London WC2N 6RN
PricewaterhouseCoopers AS LLP	Limited liability partnership	P.O. Box 67238, 10–18 Union Street, London SE1P 4DL
PwC Strategy& UK Holdings LLP	Limited liability partnership	1 Embankment Place, London WC2N 6RN

Channel Islands partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office
PricewaterhouseCoopers CI LLP	Limited liability partnership	1 Embankment Place, London WC2N 2RD

PwC Legal partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office
PricewaterhouseCoopers Legal LLP	Limited liability partnership	1 Embankment Place, London WC2N 6DX
PricewaterhouseCoopers Legal Middle East LLP	Limited liability partnership	1 Embankment Place, London WC2N 6DX

Middle East Group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office
Mansour & Co. PricewaterhouseCoopers	Partnership	3 Assayadlah Buildings, 14th of May Road, Smouha 21311, Alexandria, Egypt
Pricewaterhouse Coopers Middle East Limited	Regional Office	Third Circle, Jabal Amman, 14 Hazza' A-Majali Street, P.O. Box S175, 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, Beirut, Lebanon, P.O. Box 113155
PricewaterhouseCoopers (Abu Dhabi Branch)	Branch	9th Floor East Towers, The Tower at the Trade Centre, P.O. Box 45263, 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 Gisr Road, Suhaim, Office Tower, Juipar Towers, P.O. Box 9705, RAK, UAE
PricewaterhouseCoopers (Sharjah Branch)	Branch	11 Floor, Baitha Towers, Cornish, P.O. Box 82162, Sharjah, UAE

25 Subsidiary undertakings and jointly controlled entities continued

Middle East Group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office
PricewaterhouseCoopers Al-Shatti & Co	Unincorporated entity	Arraya Tower II 23rd–24th Floor, Safat 13018, P.O. Box 1753, Al-Shuhada St., Sharq, Kuwait
PricewaterhouseCoopers LLP (Muscat Branch)	Branch	Suites 204–210, Hatat House, Wadi Adai, P.O. Box 3075 – Ruwi, PC 112, Muscat, Sultanate of Oman
PricewaterhouseCoopers Management Advisory (Baghdad Branch)	Branch	Al Mansour District, Block 609, Villa 20, Baghdad, Iraq
PricewaterhouseCoopers Palestinian Territories Limited	Branch	Masrouji Building 201, Ramallah, West Bank, P.O. Box 1318
PricewaterhouseCoopers Public Accountants	Partnership	King Faisal Foundation Building, 10th Floor, North Tower, King Fahad Road, Olaya, Riyadh
Saadi Eid Daher Accounting & Financial Consultancy	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. (Abu Dhabi branch)	Branch	Al Sila Tower, Level 17, Sowwah Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& (Middle East) Ltd. (Bahrain Representative Office)	Representative Office	Flat 615, Building 95, Road 1702, Area 317, Diplomatic Area, Manama, Bahrain
Strategy& (Middle East) Ltd. (Oman branch)	Branch	Muscat International Centre, Muttrah Business District, Bait Al Falj Street, P.O. Box 686, Ruwi, Postal Code 112, Muscat, Oman
Strategy& Saudi Arabia	Branch	Al Salah Tower, G 103, Prince Faisal Bin Fahad Street, Khubar, Kingdom of Saudi Arabia

Jointly controlled entities

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

Companies	Country of incorporation	Share class	% directly held by PwC LLP	% held by Group
PricewaterhouseCoopers Mobility Technology Services LLC	USA	Membership units	–	50
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	Netherlands	EUR 1.00 C class shares	–	33.33
PricewaterhouseCoopers Service Delivery Center Poland SP. Z o.o.	Poland	PLN 50.00 ordinary shares	–	33.33
PwC Poland Services Limited	England	£1.00 ordinary shares	–	50
PwC IT Services Sp. Z o.o.	Poland	PLN 500.00 ordinary shares	–	50
PwC Services Sp. Z o.o.	Poland	PLN 50.00 ordinary shares	–	50
Skyval Limited	England	£1.00 ordinary shares	–	20

Limited liability partnerships	Legal form	Registered office
Skyval Holdings LLP	Limited liability partnership	77 Kingsway, London WC2B 6SR

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