PricewaterhouseCoopers LLP Members' report and financial statements for the year ended 30 June 2018

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Contents

Members' report for the year ended 30 June 2018

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 2018.

Principal activities

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

Governance

The governance structure of the LLP primarily comprises the following:

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

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of the LLP during the whole of the year ended 30 June 2018 were Kevin Burrowes, 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 £266m (2017: £231m) are determined by the Executive Board with the approval of the Supervisory Board, having regard to the working capital needs of the business. They are set by reference to an individual member's equity unit profit share and are repayable following the member's retirement.

Members' profit shares and drawings

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

Each member's profit share comprises three interrelated 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 38% of their profit share (2017: 38%), is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the member's role. These objectives include ensuring the delivery of quality services and the maintenance of independence and integrity. There is transparency among the members over the total income allocated to each individual.

During the prior year, a portion of the income of certain members who joined the LLP under the terms of the Strategy& acquisition was guaranteed and therefore was classified as members' remuneration charged as an expense in the income statement.

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

Going concern

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

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 10 August 2018 on behalf of the Executive Board by:

Kevin Ellis
Chairman and Senior Partner

Warwick Hunt
Chief Operating Officer and
Managing Partner - International

Independent auditor's report to the members of PricewaterhouseCoopers LLP

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PricewaterhouseCoopers LLP ('the LLP') and its subsidiaries (together 'the Group') for the year ended 30 June 2018, which comprise:

- the consolidated income statement and consolidated statement of comprehensive income of the Group for the year ended 30 June 2018;
- the statements of financial position of the Group and LLP as at 30 June 2018;
- the statements of cash flows and statements of changes in members' equity of the Group and LLP for the year ended 30 June 2018; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the LLP's affairs as at 30 June 2018 and of the Group's profit and of the Group's and LLP's cash flows for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the LLP's financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships; and
- the financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

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

Based on our professional judgement, we determined overall materiality for the Group's and LLP's financial statements as a whole to be £32.5m (2017: £30m) and £31m (2017: £29m) respectively. In determining this, we have given specific focus and weighting to the benchmarks in respect of revenue (0.75% of Group and LLP revenue) and profit for the year (5% of Group and LLP profit for the year).

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

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

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £0.5m (2017: £0.5m). Errors below that threshold would also be reported if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

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

For the Middle East group of subsidiaries, in order to obtain sufficient audit evidence for the purposes of our audit opinion, a member firm of the Crowe Global network undertook specified audit procedures in the Middle East under our direction and supervision. We regularly liaised with local management during the planning, fieldwork and completion process. We visited the Middle East twice, reviewed the work of the component auditor and discussed matters with local management and the component auditor.

Key audit matters

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

Key audit matters are those matters we identified that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and included the most significant assessed risks of material misstatement, whether or not due to fraud. These matters are those that had the greatest effect on: the overall audit strategy; the allocation of resources on the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

In determining the key audit matters we noted that there have been no changes in the Group's overall operations during the year that significantly impacted upon our audit. Our assessment of the most significant risks of material misstatement and resulting key audit matters are as detailed below.

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

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition and the valuation of unbilled amounts for client work The Group enters into a broad range of client contract types. The timing of revenue recognition on these contracts is dependent on the fulfilment of contractual terms that can be complex and involve subjective judgements on contract completeness and recoverability. Estimates are also required in assessing the fair value of unbilled amounts for client work. Revenue recognition and the valuation of unbilled revenue on client assignments are included within note 1 as areas of critical accounting estimate and judgement. The accounting policy for revenue is outlined in note 2. The disclosure of unbilled amounts for client work and progress billings for client work is included within notes 13 and 15 respectively.	We selected a sample of client assignments focusing on material contracts and contracts that met certain identified risk criteria. Contract terms were examined and relevant information obtained from the client engagement team. The justification for the stage of contract completion, 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 reviewed, challenged and discussed with engagement teams and line of service management and supporting evidence obtained. In each case we confirmed 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. We consider the disclosure in note 2 to the financial statements to be appropriate having given specific regard to this being an area of critical accounting estimate and judgement.
Provisions for claims and regulatory proceedings Disputes arise in the normal course of business. We focused on this area because of the potential financial impact that a major claim or regulatory proceeding could have on the Group and because of the uncertainties involved, including the need to exercise judgement. Provisions in respect of claims and regulatory proceedings are included within note 1 as an area of key accounting estimate. The disclosure of provisions for claims and regulatory proceedings is included in note 18.	We met with the Group's General Counsel to discuss claims and actions by regulatory bodies. We examined these matters and considered the processes for ensuring the completeness of the reporting of claims and for assessing the risk of unrecorded claims. We examined the Group's insurance arrangements and considered the impact of those terms and the level of cover on the provisions made. We consider the estimates made by management in determining the provisions for claims and regulatory proceedings to be reasonable in light of the evidence available to the date of this report. We consider the disclosure in note 18 to the financial statements to be appropriate having given specific regard to this being an area of key accounting estimate.

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.

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities in respect of the financial statements set out on page 2, the members are responsible for the preparation of the Group's and LLP's financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Nigel Bostock.

Nigel Bostock
(Senior Statutory Auditor)

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

10 August 2018

Consolidated income statement for the year ended 30 June 2018

	Note	2018 £m	2017 £m	Increase
Revenue	2	3,764	3,598	5%
Expenses and disbursements on client assignments		(484)	(453)	
Net revenue		3,280	3,145	4%
Staff costs	3	(1,628)	(1,620)	
Depreciation, amortisation and impairment	4	(64)	(68)	
Other operating charges	4	(626)	(588)	
Gain on disposal of property asset	4	32	–	
Operating profit		994	869	14%
Finance income	5	2	4	
Finance expense	5	(9)	(8)	
Profit on ordinary activities before taxation and members' remuneration		987	865	14%
Tax expense in subsidiary entities	6	(52)	(41)	
Profit for the year before members' remuneration		935	824	13%
Members' remuneration charged as an expense	7	–	(2)	
Profit for the year		935	822	14%
Profit for the year attributable to:				
Members	23	818	717	14%
Non-controlling interests	23	117	105	11%
Profit for the year		935	822	14%

Consolidated statement of comprehensive income for the year ended 30 June 2018

	Note	2018 £m	2017 £m
Profit for the year		935	822
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	25	1	(9)
Translation of foreign operations	23	2	(1)
Remeasurements of reservoir trust restricted assets	12	–	(1)
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefits	22	125	(170)
Other comprehensive income (expense) for the year		128	(181)
Total comprehensive income for the year		1,063	641
Total comprehensive income for the year attributable to:			
Members		944	537
Non-controlling interests		119	104
Total comprehensive income for the year		1,063	641

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

Statements of financial position at 30 June 2018

	Note	Group 2018 £m	Group 2017 £m	LLP 2018 £m	LLP 2017 £m
Non-current assets					
Property, plant and equipment	8	182	180	–	–
Goodwill	9	79	82	6	6
Other intangible assets	9	24	25	–	–
Investments in subsidiaries	10	–	–	57	57
Interests in joint ventures and associates	11	3	2	–	–
Other investments	12	94	56	51	40
Deferred tax asset	21	4	5	–	–
Retirement benefit asset	22	103	–	103	–
		489	350	217	103
Current assets					
Trade and other receivables	13	1,304	1,194	1,006	863
Cash and cash equivalents	14	218	75	172	38
		1,522	1,269	1,178	901
Total assets		2,011	1,619	1,395	1,004
Current liabilities					
Trade and other payables	15	(901)	(760)	(648)	(494)
Corporation tax		(33)	(30)	–	–
Borrowings	16	(88)	(106)	–	–
Provisions	18	(1)	–	–	–
Members' capital	19	(12)	(11)	(12)	(11)
		(1,035)	(907)	(660)	(505)
Non-current liabilities					
Provisions	18	(70)	(81)	(27)	(38)
Members' capital	19	(254)	(220)	(254)	(220)
Other non-current liabilities	20	(89)	(96)	–	–
Retirement benefit obligation	22	–	(48)	–	(48)
		(413)	(445)	(281)	(306)
Total liabilities		(1,448)	(1,352)	(941)	(811)
Net assets		563	267	454	193
Equity					
Members' reserves	23	592	310	454	193
Non-controlling interests	23	(29)	(43)	–	–
Total equity		563	267	454	193
Members' interests					
Members' capital	19	266	231	266	231
Members' reserves	23	592	310	454	193
Total members' interests	23	858	541	720	424

The exemption under section 408 of the Companies Act 2006 from presenting the LLP's income statement has been taken. The LLP's profit for the year ended 30 June 2018 was £798m (2017: £660m).

The financial statements on pages 6 to 44 were authorised for issue and signed on 10 August 2018 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 2018

	Group		LLP	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash flows from operating activities				
Profit for the year	935	822	798	660
Tax on profits	52	41	–	–
Adjustments for:				
Depreciation, amortisation and impairment	64	68	2	5
Gain on disposal of property asset	(32)	–	–	–
Foreign-exchange movements on other investments	2	–	–	–
Income from investments	–	–	(87)	(12)
Finance income	(2)	(4)	(2)	(4)
Finance expense	9	8	2	–
Changes in working capital (excluding the effects of acquisitions):				
Increase in trade and other receivables	(106)	(22)	(143)	(78)
Increase (decrease) in trade and other payables	140	(16)	154	130
(Decrease) increase in provisions and other non-current liabilities	(18)	30	(11)	25
Movement in retirement benefits	(28)	(28)	(28)	(28)
Cash generated from operations	1,016	899	685	698
Tax paid by corporate subsidiaries	(48)	(40)	–	–
Net cash inflow from operating activities	968	859	685	698
Cash flows from investing activities				
Purchase of property, plant and equipment	(51)	(39)	–	–
Proceeds from sale of property, plant and equipment	38	1	–	–
Purchase of intangible assets	(10)	(8)	–	–
Purchase of other businesses (net of cash acquired)	(4)	(4)	–	–
Purchase of other investments	(43)	(30)	(13)	(25)
Purchase of interests in joint ventures and associates	(2)	(1)	–	–
Distributions received from joint ventures and associates	1	1	–	–
Interest received	2	2	2	2
Income received from investments	–	–	87	12
Net cash (outflow) inflow from investing activities	(69)	(78)	76	(11)
Cash flows from financing activities				
Payments to members	(662)	(792)	(662)	(792)
Payments to non-controlling interests	(105)	(113)	–	–
Interest paid	(6)	(6)	–	–
Proceeds from borrowings	231	238	–	–
Repayment of borrowings	(249)	(245)	–	–
Capital contributions by members	58	26	58	26
Capital repayments to members	(23)	(28)	(23)	(28)
Net cash outflow from financing activities	(756)	(920)	(627)	(794)
Net increase (decrease) in cash and cash equivalents	143	(139)	134	(107)
Cash and cash equivalents at beginning of year	75	214	38	145
Cash and cash equivalents at end of year (note 14)	218	75	172	38

Statements of changes in members' equity for the year ended 30 June 2018

	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 23)	559	(32)	527	496
Profit for the year	717	105	822	660
Other comprehensive expense for the year	(180)	(1)	(181)	(171)
Total comprehensive income	537	104	641	489
Allocated profit in the year	(792)	(113)	(905)	(792)
Effect of business transfer (note 10)	6	(2)	4	–
Transactions with owners	(786)	(115)	(901)	(792)
Balance at end of prior year (note 23)	310	(43)	267	193
Profit for the year	818	117	935	798
Other comprehensive income for the year	126	2	128	125
Total comprehensive income	944	119	1,063	923
Allocated profit in the year	(662)	(105)	(767)	(662)
Transactions with owners	(662)	(105)	(767)	(662)
Balance at end of year (note 23)	592	(29)	563	454

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, together 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 ended 30 June 2018, the Group adopted amendments to IAS 7 'Statement of cash flows', requiring additional disclosure to show those liabilities that arise from the Group's financing activities. This additional disclosure is provided in note 17. The Group also adopted amendments to IFRS 12 'Disclosure of interests in other entities' and IAS 12 'Income taxes'. These changes have not had a significant impact on the financial statements.

New standards and interpretations not yet adopted

There are a number of IFRS standards, amendments and IFRS IC interpretations that have been issued by the IASB that will require future adoption. The most significant of these to the Group's activities are:

- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and liabilities and replaces the guidance in IAS 39. The standard requires the implementation of the expected loss model for impairment, requires all investments, other than investments in subsidiaries, associates and joint ventures, to be measured at fair value and includes new hedge accounting requirements. The Group will be required to amend the classification of financial instruments and modify the calculation of trade receivables provisions. Based on assessments performed, these changes will not have a significant impact on the Group's results. IFRS 9 will become effective for the accounting period to 30 June 2019.

- IFRS 15 'Revenue from contracts with customers' addresses the recognition and measurement of revenue and replaces IAS 18 'Revenue' and IAS 11 'Construction contracts'. The standard establishes a comprehensive framework for revenue recognition using a five step model and requires that revenue is only recognised to the extent that it is highly probable that it will not subsequently be reversed. While the Group's revenue accounting policy will change as a result of adopting IFRS 15, the current accounting policy is broadly in line with the new standard. A full impact assessment of the year ended 30 June 2017 and an ongoing assessment of the year ended 30 June 2018 have indicated that the impact of adoption on the Group's results will not be significant. The most significant impact on the Group will be the more detailed monitoring of separate performance obligations on some engagements and additional disclosure requirements. IFRS 15 will become effective for the accounting period to 30 June 2019.

- 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 lease payments will be apportioned between a capital repayment of the lease liability and a finance charge. IFRS 16 will become effective for the accounting period to 30 June 2020. A summary of the impact of IFRS 16 under the modified retrospective approach, had it been adopted during the year ended 30 June 2018, is as follows:

	As reported £m	Impact of adoption £m	Revised £m
Depreciation	(64)	(60)	(124)
Other operating charges	(626)	67	(559)
Operating profit	994	7	1,001
Finance expense	(9)	(21)	(30)
Profit on ordinary activities before taxation and members' remuneration	987	(14)	973
Tax expense in subsidiary entities	(52)	3	(49)
Profit for the year	935	(11)	924

1 Basis of preparation continued

New standards and interpretations not yet adopted continued

	As reported £m	Impact of adoption £m	Revised £m
Right-of-use asset	–	553	553
Total assets	2,011	553	2,564
Trade and other payables	(901)	76	(825)
Corporation tax	(33)	3	(30)
Lease liability	–	(638)	(638)
Total liabilities	(1,448)	(559)	(2,007)
Net assets and total equity	563	(6)	557

Other issued IFRS standards, amendments and IFRS IC interpretations of less significance to the Group and which have not been early adopted are:

- Annual improvements to IFRSs 2014-2016 cycle and IFRIC 22 'Foreign currency transactions and advance consideration' will become effective for the accounting period to 30 June 2019.
- Annual improvements to IFRSs 2015-2017 cycle, IAS 19 'Employee benefits - plan amendment, curtailment or settlement', IAS 28 'Investments in associates' and IFRIC 23 'Uncertainty over income tax treatments' will become effective for the accounting period to 30 June 2020, subject to EU endorsement.
- IFRS 17 'Insurance contracts' will become effective for the accounting period to 30 June 2022, 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 and the disclosure of contingent assets and liabilities.

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

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

- Valuation of unbilled amounts for client work (note 13) – estimating the stage of contract completion, including estimating the costs still to be incurred and assessing the likely engagement outcome. A 1% variance in unbilled amounts for client work would result in a change in revenue of £4m.
- Provisions for claims and regulatory proceedings (note 18) – assessing the probable outcome of claims and regulatory proceedings and estimating the level of costs likely to be incurred in defending and concluding such matters.
- Defined benefit schemes (note 22) – determining the actuarial assumptions to be applied in estimating the defined benefit obligation for each scheme, with the key actuarial assumptions being discount rate, inflation and life expectancy.

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

- Revenue recognition (note 2) – assessing the revenue recognition basis for client engagements and the recoverability of unbilled amounts for client work.
- Recognition of defined benefit surplus (note 22) – assessing the extent to which the value of the defined benefit surplus can be recognised in the statement of financial position. In accordance with IAS 19 'Employee benefits' and IFRIC 14 'The limit on a defined benefit asset, minimum funding requirements', the full value of any calculated surplus is currently recognised as the Group has an unconditional right to refund, assuming the gradual settlement of the schemes' liabilities over time until all members have left the schemes. The IASB has published an exposure draft to amend IFRIC 14 and, had this amendment been in force in its current form at 30 June 2018, there may have been a material reduction in the value of the defined benefit surplus recognised.

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

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. On consolidation, intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiary undertakings have been amended where necessary to ensure consistency with the policies adopted by the Group.

Foreign currencies

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

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

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

Impairment of non-financial assets

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

2 Revenue

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

Fixed fee assignments are recognised over a period of time by reference to the stage of completion of the actual services provided at the reporting date, as a proportion of the total services to be provided.

Success or performance fee assignments are recognised when the right to consideration arises on the legal and commercial completion of the engagement or when the performance-related elements have been met and the Group becomes entitled to the revenue.

Contingent fee assignments, over and above any agreed minimum fee, are recognised when the contingent event occurs.

Time and materials assignments are recognised as services are provided at the fee rate agreed with the client.

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

3 Staff costs

	Group		LLP	
	2018 £m	2017 £m	2018 £m	2017 £m
Salaries	1,371	1,372	180	200
Social security costs	138	135	22	26
Pension costs in respect of defined contribution schemes (note 22)	119	113	26	28
	1,628	1,620	228	254

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

The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees before their retirement or providing termination benefits as a result of voluntary severance. During the year ended 30 June 2018, the Group recognised £12m (2017: £32m) and the LLP recognised £7m (2017: £13m) of termination benefits within salaries.

The average monthly number of employees during the year was:

	Group		LLP	
	2018 Number	2017 Number	2018 Number	2017 Number
Client support staff	18,269	18,403	1,035	1,195
Practice support staff	4,036	4,198	912	1,034
	22,305	22,601	1,947	2,229

4 Other operating costs and income

Depreciation, amortisation and impairment

	2018 £m	2017 £m
Depreciation of property, plant and equipment (note 8)	43	44
Amortisation of other intangible assets (note 9)	11	11
Impairment of goodwill (note 9)	7	–
Impairment of other intangible assets (note 9)	–	7
Impairment of other investments (note 12)	3	6
	64	68

Other operating charges

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

Total fees and expenses payable to the auditors, Crowe U.K. LLP, for the year ended 30 June 2018 were £0.5m (2017: £0.5m). This comprised audit fees of £0.4m (2017: £0.4m) relating to the LLP and Group consolidation and other service fees of £0.1m (2017: £0.1m) relating to the audit of subsidiary companies and audit-related assurance.

Operating lease charges include:

	2018 £m	2017 £m
Land and buildings	73	70
Plant and machinery	6	7
	79	77

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.

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

Gain on disposal of property asset

During the year ended 30 June 2018, the Group disposed of a freehold property, resulting in a gain on disposal of £32m which has been recognised in the income statement. The gain from this disposal is being retained for investment and not distributed to members.

5 Finance income and expense

	2018 £m	2017 £m
Finance income		
Interest receivable	2	2
Net interest income on pension schemes (note 22)	–	2
	2	4
Finance expense		
Interest payable	(6)	(6)
Unwinding of discount on provisions (note 18)	(1)	(2)
Net interest expense on pension schemes (note 22)	(2)	–
	(9)	(8)
Net finance expense	(7)	(4)

6 Tax expense in subsidiary entities

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

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

The tax expense included within the consolidated income statement is:

	2018 £m	2017 £m
Current tax on income of subsidiary entities for the year	51	43
Deferred tax movements (note 21)	1	(2)
Tax expense in subsidiary entities	52	41

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

	2018 £m	2017 £m
Profit on ordinary activities of subsidiary entities before tax	259	179
Tax expense at UK standard rate of 19% (2017: 19.75%)	49	35
Impact of items not deductible for tax purposes	4	5
Impact of indexation allowance on disposal of property asset	(3)	–
Adjustment to tax charge in respect of prior years	(2)	(1)
Effect of different tax rates across the Group	4	2
	52	41

7 Members' profit shares

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

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

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

	2018 Estimate	2017 Actual	2017 Estimate
Average per member (excluding members on secondment overseas)	£712,000	£652,000	£652,000
Chairman	£3.4m	£3.1m	£3.1m
Management Board (2018: 12 members; 2017: 12 members)	£21.6m	£19.8m	£19.8m

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

	2018 Number	2017 Number
UK members	887	917
Members on secondment overseas	28	36
	915	953

Excluding members on secondment overseas, the average profit per member based on these financial statements was £922,000 (2017: £782,000), 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 the Chairman was £4.5m (2017: actual £3.8m, estimated £3.8m). The full-time equivalent number of members serving on the Management Board during the year ended 30 June 2018 was 12 (2017: 12). The estimated profit attributable to the members of the Management Board based on these financial statements totals £28.4m (2017: actual £24.0m, estimated £24.0m).

During the prior year, members' remuneration charged as an expense was £2m, which comprised 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	86	251	343
Additions	–	8	31	39
Disposals	–	(2)	(21)	(23)
At end of prior year	6	92	261	359
Additions	1	1	49	51
Disposals	(5)	(1)	(34)	(40)
At end of year	2	92	276	370
Accumulated depreciation				
At beginning of prior year	2	24	131	157
Depreciation charge for the year	–	5	39	44
Disposals	–	(2)	(20)	(22)
At end of prior year	2	27	150	179
Depreciation charge for the year	–	6	37	43
Disposals	(2)	(1)	(31)	(34)
At end of year	–	32	156	188
Net book amount at end of prior year	4	65	111	180
Net book amount at end of year	2	60	120	182

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

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

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

Group capital commitments relating to property, plant and equipment contracted but not provided for at 30 June 2018 amounted to £23m (2017: £4m). Assets under construction of £1m (2017: £8m) are included within leasehold property and £23m (2017: £14m) within fittings, furniture and equipment. The capital commitments contracted but not provided for and assets under construction relate principally to the refurbishment of offices.

LLP

	Leasehold property £m
Cost	
At beginning of prior year	2
Disposals	(2)
At end of prior year and current year	–
Accumulated depreciation	
At beginning of prior year	2
Disposals	(2)
At end of prior year and current year	–
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 at 30 June 2018 (2017: nil).

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	85	21	96	117
Exchange differences	1	–	–	–
Acquired through business combinations	2	–	2	2
Additions	–	–	8	8
Disposals	–	–	(5)	(5)
At end of prior year	88	21	101	122
Exchange differences	(1)	–	–	–
Additions	5	–	10	10
Disposals	–	–	(25)	(25)
At end of year	92	21	86	107
Accumulated amortisation/impairment				
At beginning of prior year	6	9	75	84
Amortisation charge for the year	–	2	9	11
Impairment charge for the year	–	–	7	7
Disposals	–	–	(5)	(5)
At end of prior year	6	11	86	97
Amortisation charge for the year	–	3	8	11
Impairment charge for the year	7	–	–	–
Disposals	–	–	(25)	(25)
At end of year	13	14	69	83
Net book amount at end of prior year	82	10	15	25
Net book amount at end of year	79	7	17	24

Included within computer software at 30 June 2018 are £5m (2017: £4m) of assets under construction.

LLP

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

There were no assets under construction in the LLP at 30 June 2018 (2017: nil).

9 Goodwill and other intangible assets continued

Acquisitions and goodwill

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

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

Acquisitions

During the year ended 30 June 2018, the Group acquired a 100% interest in cDecisions Limited (subsequently renamed PwC Digital Services (UK) Limited), which offers IT consultancy services, and Optimisa Research Limited (subsequently renamed PricewaterhouseCoopers Consulting Services UK Limited), which offers market research consulting services.

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

During the prior year, the Group acquired a 100% interest in Selera Labs Pty Ltd (subsequently renamed PricewaterhouseCoopers Information Technology Services (Australia) Pty Ltd) and its subsidiary Selera Solutions Pty Ltd, which offer specialised tax reporting and analytics services. The Group also acquired a 100% interest in NSI DMCC, which provides digital transformation consultancy services. Goodwill of £2m was recognised in respect of these acquisitions, which is attributable to the companies' existing workforces.

Impairment reviews

The largest element of goodwill held within the Group is £51m (2017: £52m) in respect of the Group's strategic alliance in the Middle East. The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows based on three-year financial budgets. An average annual revenue growth assumption of 11% has been used (2017: 12%). Cash flows for the periods beyond existing budgets have been extrapolated using a 5% historic long-term GDP annual regional growth rate (2017: 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% (2017: 12%).

The remaining goodwill represents UK acquisitions, and relates primarily to the provision of consulting services. During the year ended 30 June 2018, impairment charges of £7m have been recognised against this goodwill in relation to businesses acquired that have ceased trading.

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.

Customer relationships

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

Computer software

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

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

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

10 Investments in subsidiaries

LLP

	2018 £m	2017 £m
Shares in subsidiary undertakings		
Cost		
At beginning of year	68	74
Disposals	–	(6)
At end of year	68	68
Accumulated impairment		
At beginning of year	11	14
Disposals	–	(3)
At end of year	11	11
Net book amount at end of prior year	57	60
Net book amount at end of year	57	57

Investments in subsidiaries are measured at cost less impairment.

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

During the prior year, disposals of investments in subsidiaries related to the liquidation of dormant subsidiaries.

PricewaterhouseCoopers Legal LLP business transfer

During the prior year, following the Solicitors Regulation Authority's approval of a multi-disciplinary practice licence, PricewaterhouseCoopers Legal LLP ('PwC Legal') transferred its business to the LLP on 1 October 2016. From that date, the non-controlling interest members of PwC Legal became members of the LLP.

As an acquisition under common control, PwC Legal's assets and liabilities were transferred to the LLP at book value. The existing equity of £6m attributable to the former members of PwC Legal was reclassified from non-controlling interests to members' reserves within the Group statement of financial position.

Also, as part of this transaction, the Group was released from its obligation to pay annuities in the future to those former PwC Legal members who became members of the LLP. These annuities are consequently no longer recognised within these financial statements.

Non-controlling interests in subsidiary undertakings

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

PricewaterhouseCoopers (Middle East Group) Limited is the only subsidiary with a non-controlling interest that is material to the Group. The pre-consolidated reserves of this company and its subsidiaries at 30 June 2018, attributable to non-controlling interests, was a deficit of £50m (2017: £64m). The local partners had also subscribed £87m of capital (2017: £95m). 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.

10 Investments in subsidiaries continued

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

	2018 £m	2017 £m
Current		
Assets	319	284
Borrowings	(88)	(106)
Other liabilities	(187)	(137)
Total current net assets	44	41
Non-current		
Assets	72	72
Local partner capital	(87)	(95)
Other liabilities	(29)	(31)
Total non-current net liabilities	(44)	(54)
Net assets (liabilities)	–	(13)
Equity		
Share capital	50	51
Reserves	(50)	(64)
Total equity	–	(13)
Shareholder and local partners' interests		
Share capital	50	51
Local partner capital	87	95
Equity reserves attributable to local partners	(50)	(64)
Total shareholder and local partners' interests	87	82

Summarised consolidated income statement

	2018 £m	2017 £m
Revenue	617	561
Profit before income tax expense	135	112
Income tax expense	(26)	(16)
Other comprehensive expense	(2)	–
Total comprehensive income	107	96
Total comprehensive income attributable to non-controlling interests	107	96

Summarised consolidated statement of cash flows

	2018 £m	2017 £m
Cash generated from operations	155	149
Income tax paid	(18)	(12)
Net cash generated from operating activities	137	137
Net cash outflow from investing activities	(8)	(11)
Net cash outflow from financing activities	(121)	(126)
Net increase in cash and cash equivalents	8	–
Cash and cash equivalents at beginning of year	25	25
Cash and cash equivalents at end of year	33	25

11 Interests in joint ventures and associates

	2018 £m	2017 £m
Value at beginning of year	2	2
Share of profit (loss)	–	–
Capital investment	2	1
Distributions received	(1)	(1)
Value at end of year	3	2

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

The Group held interests in five significant jointly controlled entities and associates at 30 June 2018: Bolt Partners Limited, which offers mobile applications for healthcare organisations; PricewaterhouseCoopers Mobility Technology Services LLC, which offers international mobility services; PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V., which provides shared services for PwC network firms; PwC Poland Services Limited, which offers specialised cloud-based solutions and transformational services; and Skyval Holdings LLP, which develops, maintains and licenses pension-related software. All jointly controlled entities and associates are listed in note 27.

On 26 June 2018, the Group acquired a 25% equity interest in Bolt Partners Limited for consideration of £1m. At 30 June 2018, Bolt Partners Limited had assets of £1m and liabilities of £1m. During the period ended 30 June 2018, the Group recognised no profit or loss in the income statement in respect of this interest.

The Group has a 50% equity interest in PricewaterhouseCoopers Mobility Technology Services LLC. At 30 June 2018, PricewaterhouseCoopers Mobility Technology Services LLC had assets of £4m (2017: £5m) and liabilities of £6m (2017: £7m). For the year ended 30 June 2018, PricewaterhouseCoopers Mobility Technology Services LLC's revenue was £16m (2017: £10m) and profit was nil (2017: loss of £2m).

The Group has a 33.33% equity interest in PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.. At 30 June 2018, PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V. had assets of £3m (2017: £3m) and liabilities of £2m (2017: £2m). For the year ended 30 June 2018, PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.'s revenue was £32m (2017: £25m) and profit was £2m (2017: £1m).

The Group has a 50% equity interest in PwC Poland Services Limited. The Group also holds repayable interest-bearing preference shares issued by this company, which are recognised as debt instruments within other investments (refer to note 12). During the year ended 30 June 2018, the Group made further capital contributions of £1m (2017: £1m). At 30 June 2018, PwC Poland Services Limited and its subsidiaries had assets of £19m (2017: £12m) and liabilities of £14m (2017: £7m). For the year ended 30 June 2018, PwC Poland Services Limited's consolidated revenue was £22m (2017: £20m) and loss was £2m (2017: £1m).

During the year ended 30 June 2018, the Group had a 20% equity interest in Skyval Holdings LLP. Subsequent to the year end, the Group disposed of its interest in Skyval Holdings LLP with no gain or loss recognised on disposal. At 30 June 2018, Skyval Holdings LLP and its subsidiaries had assets of £3m (2017: £2m) and liabilities of £1m (2017: £2m). For the year ended 30 June 2018, Skyval Holdings LLP's consolidated revenue was £5m (2017: £5m) and profit was £2m (2017: £2m).

During the year ended 30 June 2018, the Group received distributions from its interests in joint ventures and associates totalling £1m (2017: £1m).

12 Other investments

	Group 2018 £m	Group 2017 £m	LLP 2018 £m	LLP 2017 £m
Reservoir trust restricted assets	30	20	30	20
Other investments held at fair value	60	33	18	17
Other investments held at cost	4	3	3	3
	94	56	51	40

Other investments are primarily 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.

Reservoir trust restricted assets

	Group 2018 £m	Group 2017 £m	LLP 2018 £m	LLP 2017 £m
Value at beginning of year	20	–	20	–
Additions	10	21	10	21
Remeasurement losses recognised as other comprehensive expense	–	(1)	–	(1)
Value at end of year	30	20	30	20

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

During the year ended 30 June 2018, the LLP made contributions into the trust of £10m (2017: £21m). The LLP has committed to contribute up to £10m per annum over the next four years. Based on the most recent full market valuation of the defined benefit pension schemes as at 31 March 2018, the LLP currently expects to contribute £1m, of the maximum £10m commitment, to the trust in the year ending 30 June 2019. The assets of the trust are invested in UK gilts. The remeasurement of these assets during the year ended 30 June 2018 did not result in a net gain or loss. During the prior year, the LLP recognised fair value losses of £1m on these assets, as other comprehensive expense.

12 Other investments continued

Other investments held at fair value

	Group 2018 £m	Group 2017 £m	LLP 2018 £m	LLP 2017 £m
Value at beginning of year	33	25	17	13
Additions	32	9	3	4
Impairment charges recognised in profit and loss	(3)	(1)	(2)	–
Foreign-exchange movements recognised in profit and loss	(2)	–	–	–
Value at end of year	60	33	18	17

During the year ended 30 June 2018, the Group invested in £27m (2017: nil) of repayable interest-bearing subordinated loan notes issued by an entity in the PwC global network. At 30 June 2018, the Group's total investment in repayable interest-bearing subordinated loan notes from entities in the PwC global network was £34m (2017: £9m), which are primarily denominated in US dollars with £7m in euros (2017: £9m). At 30 June 2018, the LLP held £6m of these loan notes, denominated in euros (2017: £6m).

The Group also invested in £2m (2017: £3m) of repayable interest-bearing preference shares issued by PwC Poland Services Limited. At 30 June 2018, the Group's total investment in these preference shares was £9m, denominated in euros (2017: £7m). Further details are provided in note 11.

The fair values of repayable interest-bearing subordinated loan notes and preference shares are calculated as the present value of future cash flows, discounted at a market rate of interest.

During the year ended 30 June 2018, the LLP invested in £3m (2017: £4m) of preference shares issued by the PwC Central and Eastern European firm as part of a strategic investment plan. During the prior year, the Group invested in £2m of preference shares issued by the PwC Central and Southern African firm. 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. During the year ended 30 June 2018, impairment charges of £3m (2017: £1m) were recognised in the income statement against these investments.

At 30 June 2018, the LLP's total preference share investment in the PwC Central and Eastern European firm was £12m denominated in US dollars (2017: £11m) and the Group's total preference share investment in the PwC Central and Southern African firm was £5m denominated in US dollars (2017: £6m).

The Group is committed to provide further funding to the PwC Central and Eastern European and PwC Central and Southern African firms. At 30 June 2018, the Group has committed, subject to certain investment conditions, to make additional payments of up to US $31m (2017: US $37m).

Other investments held at cost

	Group 2018 £m	Group 2017 £m	LLP 2018 £m	LLP 2017 £m
Value at beginning of year	3	8	3	8
Additions	1	–	–	–
Impairment charges recognised in profit and loss	–	(5)	–	(5)
Value at end of year	4	3	3	3

At 30 June 2018, the Group had £4m (2017: £3m) and the LLP had £3m (2017: £3m) of equity holdings in entities in the PwC global network measured at cost less impairment. During the prior year, the Group and LLP recognised £5m of impairment charges in respect of these investments (refer to note 4).

13 Trade and other receivables

	Group		LLP	
	2018 £m	2017 £m	2018 £m	2017 £m
Client receivables	730	573	531	438
Due from PwC network firms	69	68	59	49
Trade receivables	799	641	590	487
Amounts due from subsidiary undertakings	–	–	72	26
Other receivables	40	62	2	14
Prepayments	60	84	5	9
Unbilled amounts for client work	405	407	337	327
	1,304	1,194	1,006	863

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 impairment.

Group and LLP trade receivables are primarily denominated in sterling, with £223m in US dollars/US dollar linked currencies (2017: £161m) and £31m in euros (2017: £28m). 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	
	2018 £m	2017 £m	2018 £m	2017 £m
30 days or less, fully performing	439	402	366	336
31 to 180 days, past due and fully performing	339	226	221	149
More than 180 days, past due and impaired	58	45	19	12
Impairment provision	(37)	(32)	(16)	(10)
	799	641	590	487

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

	Group		LLP	
	2018 £m	2017 £m	2018 £m	2017 £m
Balance at beginning of year	(32)	(29)	(10)	(8)
Charged to the income statement	(24)	(11)	(13)	(8)
Released unused during the year	14	5	4	4
Utilised during the year	5	3	3	2
Balance at end of year	(37)	(32)	(16)	(10)

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	
	2018 £m	2017 £m	2018 £m	2017 £m
Cash at bank and in hand	58	40	13	5
Short-term deposits	160	35	159	33
Total cash and cash equivalents	218	75	172	38

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 £35m in US dollars/US dollar linked currencies (2017: £24m) and £4m in euros (2017: £9m).

15 Trade and other payables

	Group		LLP	
	2018 £m	2017 £m	2018 £m	2017 £m
Trade payables	139	102	–	–
Amounts owed to subsidiary undertakings	–	–	410	311
Social security and other taxes	112	110	8	8
Other payables	67	60	59	41
Accruals	432	377	60	54
Progress billings for client work	151	111	111	80
	901	760	648	494

Trade and other payables are measured at amortised cost.

Group trade payables are primarily denominated in sterling, with £30m in US dollars/US dollar linked currencies (2017: £32m) and £36m in euros (2017: £27m). 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 £90m (2017: £72m).

16 Borrowings

	Group		LLP	
	2018 £m	2017 £m	2018 £m	2017 £m
Current				
Bank borrowings	87	98	–	–
Other loans	1	8	–	–
	88	106	–	–

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 and charged to the income statement from draw-down. Where there is no evidence that any of the facility will be drawn down, the fee is charged to the income statement over the period of the facility.

The Group’s borrowings at 30 June 2018 and 30 June 2017 were unsecured and primarily denominated in US dollars, with £1m in euros (2017: £1m).

All borrowings mature within one year.

17 Liabilities arising from financing activities

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

	Group 2018 £m	Group 2017 £m	LLP 2018 £m	LLP 2017 £m
Borrowings (note 16)	88	106	–	–
Members' capital (note 19)	266	231	266	231
Other non-current liabilities (note 20)	89	96	–	–
	443	433	266	231

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

	Group 2018 £m	Group 2017 £m	LLP 2018 £m	LLP 2017 £m
Non-cash flows from financing activities				
Interest payable	6	6	–	–
Cash flows from financing activities				
Proceeds from borrowings	231	238	–	–
Repayment of borrowings	(249)	(245)	–	–
Interest paid	(6)	(6)	–	–
Capital contributions by members	58	26	58	26
Capital repayments to members	(23)	(28)	(23)	(28)
Movement in capital loans provided by non-controlling interest partners	(7)	5	–	–
Net increase (decrease) in liabilities arising from financing activities	10	(4)	35	(2)
Liabilities arising from financing activities at beginning of year	433	437	231	233
Liabilities arising from financing activities at end of year	443	433	266	231

18 Provisions and contingent liabilities

Group

	Annuities £m	Property £m	Claims and regulatory proceedings £m	Total £m
Balance at beginning of prior year	30	12	12	54
Income statement:				
Charge for the year	5	3	43	51
Released unused during the year	–	–	(3)	(3)
Unwinding of discount	2	–	–	2
Transfer to accruals	–	(3)	–	(3)
Release of annuities provision (note 10)	(4)	–	–	(4)
Cash payments	(2)	–	(14)	(16)
Balance at end of prior year	31	12	38	81
Income statement:				
Charge for the year	2	4	7	13
Released unused during the year	–	–	(5)	(5)
Unwinding of discount	1	–	–	1
Transfer to accruals	–	(1)	–	(1)
Cash payments	(5)	–	(13)	(18)
Balance at end of year	29	15	27	71

LLP

	Property £m	Claims and regulatory proceedings £m	Total £m
Balance at beginning of prior year	1	11	12
Income statement:			
Charge for the year	–	43	43
Released unused during the year	–	(3)	(3)
Acquired in business transfer (note 10)	–	1	1
Transfer to accruals	(1)	–	(1)
Cash payments	–	(14)	(14)
Balance at end of prior year	–	38	38
Income statement:			
Charge for the year	–	7	7
Released unused during the year	–	(5)	(5)
Cash payments	–	(13)	(13)
Balance at end of year	–	27	27

Disclosed as:

	Group		LLP	
	2018 £m	2017 £m	2018 £m	2017 £m
Current	1	–	–	–
Non-current	70	81	27	38
	71	81	27	38

18 Provisions and contingent liabilities continued

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

Annuities

The Group's financial statements consolidate the provision made for the annuities payable by certain subsidiary undertakings to current and former non-controlling interest partners in those undertakings, principally in relation to the Middle East. These 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 used in calculating the annuities provision are an assumed retirement age of 57 (2017: 57), discount rates of 4.8% for US dollar denominated annuities (2017: 4.1%) and 1.3% for sterling denominated annuities (2017: 1.1%) and inflation rates of 2.3% for US dollar denominated annuities (2017: 2.3%) and 2.9% for sterling denominated annuities (2017: 3.0%). The annuities provision is expected to unwind over 26 years.

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

Property

Provisions are recognised for obligations under property contracts that are onerous ('onerous lease provision') and to restore premises to their original condition upon vacating them, where such an obligation exists under the lease ('dilapidations provision'). The provisions are based on estimated future cash flows that have been discounted to present value, with the unwinding of 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 2018 and 30 June 2017 comprise substantially dilapidations provisions. The provisions are based on estimated future cash flows that have been discounted to present value at an average rate of 2.3% (2017: 2.1%). The property provisions are expected to unwind over 17 years.

Claims and regulatory proceedings

In common with comparable professional service practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims by clients or investigations commenced by regulatory bodies which may lead to regulatory proceedings. The Group defends such claims where appropriate and where costs are likely to be incurred in defending and concluding such matters and can be measured reliably, they are provided for in the financial statements. 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 (2017: nil).

The Group has entered into US $31m (2017: US $35m) of guarantees with third-party banks in connection with work performed in foreign territories, predominantly in the Middle East.

The LLP has entered into a US $52m (2017: 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 £602m over the remaining lease terms (2017: £641m). The majority of these commitments relate to the office premises at 7 More London and 1 Embankment Place.

The LLP guarantees the bank borrowings of PricewaterhouseCoopers Services Limited, which are included in the Group's statement of financial position. At 30 June 2018, PricewaterhouseCoopers Services Limited's bank borrowings were nil (2017: nil).

19 Members' capital

	Group and LLP £m
Balance at beginning of prior year	233
Contributions by members	26
Repayments to members	(28)
Balance at end of prior year	231
Contributions by members	58
Repayments to members	(23)
Balance at end of year	266

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 2018 £m	Group and LLP 2017 £m
Current	12	11
Non-current	254	220
	266	231

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.

20 Other non-current liabilities

Group other non-current liabilities of £89m (2017: £96m) represent capital loans provided by non-controlling interest partners in subsidiary undertakings consolidated into the Group, primarily in relation to the Middle East. Non-controlling interest partners are required to provide one year's notice of retirement.

There were no other non-current liabilities in the LLP for the years ended 30 June 2018 and 30 June 2017.

21 Deferred tax

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

	2018 £m	2017 £m
Balance at beginning of year	5	3
Charged to the income statement	(1)	–
Credited to the income statement	–	2
Balance at end of year	4	5

Deferred tax assets and liabilities are recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Temporary differences relating to investments in subsidiaries have not been provided for as it is not probable that they will reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At 30 June 2018, deferred tax assets primarily comprised temporary differences between capital allowances and depreciation.

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

Deferred tax is calculated using a tax rate of 19% for the period to 31 March 2020 and 17% thereafter (2017: 19% for the period to 31 March 2020 and 17% thereafter).

There was no deferred tax arising in the LLP for the years ended 30 June 2018 and 30 June 2017.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 30 June 2018, the Group had accumulated unrecognised tax losses of £49m (2017: £51m).

22 Retirement benefits

Defined contribution schemes

At 30 June 2018, there were 18,244 members of the Group's UK defined contribution schemes (2017: 16,437), of which 3,824 members were auto-enrolled (2017: 3,884). The Group's contributions to the schemes are charged to the income statement as they fall due. Costs of £119m (2017: £113m) were recognised by the Group and £26m (2017: £28m) by the LLP 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 2017 individual member data rolled forward to the reporting date and the projected unit credit method.

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

The consolidated income statement includes interest on the net defined benefit asset or obligation. Past service costs arising from changes to scheme benefits are recognised immediately in the 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.

22 Retirement benefits continued

Assumptions

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

	2018	2017	2016
Discount rate	2.6%	2.6%	3.0%
Inflation (RPI)	3.3%	3.3%	2.7%
Inflation (CPI)	2.3%	2.3%	1.7%
Expected rate of increase in salaries	2.3%	2.3%	2.7%
Expected average rate of increase in pensions in payment	2.5%	2.5%	2.3%

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 Obligation increase £m	Plan Obligation increase £m	Total Obligation increase £m
0.5% decrease to discount rate	141	79	220
0.5% increase to salary increases	3	2	5
0.5% increase to inflation	70	39	109
One year increase to life expectancy	52	25	77

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 a 91% scaling factor for both males and females, and with future improvements in line with Continuous Mortality Investigation ('CMI') 2017 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:

	2018		2017	
	Fund Years	Plan Years	Fund Years	Plan Years
Life expectancy of current pensioners at age 65:				
Male	22.8	22.8	23.0	23.0
Female	24.7	24.7	24.6	24.6
Life expectancy of future pensioners at age 65:				
Male	24.5	24.5	24.7	24.7
Female	26.5	26.5	26.4	26.4

Income statement

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

	2018			2017		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Net interest income	–	–	–	1	1	2
Net interest expense	(1)	(1)	(2)	–	–	–
	(1)	(1)	(2)	1	1	2

22 Retirement benefits continued

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	1,624	(1,569)	55	870	(833)	37	92
Interest income (expense)	47	(46)	1	26	(25)	1	2
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	66	–	66	44	–	44	110
Changes in financial assumptions	–	(189)	(189)	–	(117)	(117)	(306)
Changes in demographic assumptions	–	41	41	–	26	26	67
Experience adjustments on defined benefit obligation	–	(25)	(25)	–	(16)	(16)	(41)
Contributions by employer	19	–	19	9	–	9	28
Benefits paid	(92)	92	–	(46)	46	–	–
Fair value at end of prior year	1,664	(1,696)	(32)	903	(919)	(16)	(48)
Interest income (expense)	41	(42)	(1)	22	(23)	(1)	(2)
Remeasurement gains (losses):							
Return on plan assets excluding amounts included in net interest	57	–	57	33	–	33	90
Changes in financial assumptions	–	19	19	–	9	9	28
Changes in demographic assumptions	–	(4)	(4)	–	(2)	(2)	(6)
Experience adjustments on defined benefit obligation	–	3	3	–	10	10	13
Contributions by employer	19	–	19	9	–	9	28
Benefits paid	(102)	102	–	(54)	54	–	–
Fair value at end of year	1,679	(1,618)	61	913	(871)	42	103

Contributions paid during the year ended 30 June 2018 included £25m (2017: £25m) of deficit reduction contributions and £3m (2017: £3m) of other funding costs.

The LLP has entered into an agreement with the schemes' trustees to establish a reservoir trust. The Group made contributions of £10m during the year ended 30 June 2018 (2017: £21m). Based on the most recent full market valuation as at 31 March 2018, the LLP currently expects to contribute £1m in the year ending 30 June 2019. Further details are provided in note 12.

22 Retirement benefits continued

Scheme assets and defined benefit obligations continued

The actual return on scheme assets during the year ended 30 June 2018 was an increase of £153m (2017: £183m increase). The allocation and market value of assets of the defined benefit schemes were as follows:

			2018			2017
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Bonds	650	371	1,021	643	368	1,011
Gilts	659	338	997	531	270	801
Multi-asset/hedge funds	283	156	439	311	167	478
Cash	94	51	145	129	71	200
Derivative financial instruments	(7)	(3)	(10)	50	27	77
Total scheme assets	1,679	913	2,592	1,664	903	2,567
Defined benefit obligation	(1,618)	(871)	(2,489)	(1,696)	(919)	(2,615)
Net retirement benefit asset (obligation)	61	42	103	(32)	(16)	(48)

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

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

Future cash funding

The Fund and the Plan are valued formally every three years by an independent actuary, Mercer Ltd. The most recent finalised full actuarial valuations for both the Fund and the Plan were as at 31 March 2017. These valuations were conducted under the Scheme Funding Regulations (Pensions Act 2004) and indicated a combined deficit of £240m on a fully funded valuation basis. Consequently, in agreement with the schemes' trustees, the Group has agreed to continue to make deficit reduction payments of £25m per annum over the ten year period commencing 1 April 2016. The Group therefore currently expects to contribute £25m in the year ending 30 June 2019, in addition to the expected £1m of contributions to the reservoir trust, as described in note 12. The next full actuarial valuation will be carried out as at 31 March 2020.

23 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	233	559	–	792	(32)	–
Profit for the year available for division among members	–	717	–	717	105	–
	233	1,276	–	1,509	73	–
Allocated profit	–	(792)	792	–	(113)	113
Movement on cash flow hedges	–	(9)	–	(9)	–	–
Remeasurements of retirement benefits	–	(170)	–	(170)	–	–
Remeasurements of reservoir trust restricted assets	–	(1)	–	(1)	–	–
Effect of business transfer (note 10)	–	6	–	6	(2)	–
Translation of foreign operations	–	–	–	–	(1)	–
Contributions by members	26	–	–	26	–	–
Repayments to members	(28)	–	–	(28)	–	–
Drawings and distributions	–	–	(792)	(792)	–	(113)
Balance at end of prior year	231	310	–	541	(43)	–
Profit for the year available for division among members	–	818	–	818	117	–
	231	1,128	–	1,359	74	–
Allocated profit	–	(662)	662	–	(105)	105
Movement on cash flow hedges	–	1	–	1	–	–
Remeasurements of retirement benefits	–	125	–	125	–	–
Translation of foreign operations	–	–	–	–	2	–
Contributions by members	58	–	–	58	–	–
Repayments to members	(23)	–	–	(23)	–	–
Drawings and distributions	–	–	(662)	(662)	–	(105)
Balance at end of year	266	592	–	858	(29)	–

23 Total members' interests continued

LLP

	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m
Balance at beginning of prior year	233	496	–	729
Profit for the year available for division among members	–	660	–	660
	233	1,156	–	1,389
Allocated profit	–	(792)	792	–
Remeasurements of retirement benefits	–	(170)	–	(170)
Remeasurements of reservoir trust restricted assets	–	(1)	–	(1)
Contributions by members	26	–	–	26
Repayments to members	(28)	–	–	(28)
Drawings and distributions	–	–	(792)	(792)
Balance at end of prior year	231	193	–	424
Profit for the year available for division among members	–	798	–	798
	231	991	–	1,222
Allocated profit	–	(662)	662	–
Remeasurements of retirement benefits	–	125	–	125
Contributions by members	58	–	–	58
Repayments to members	(23)	–	–	(23)
Drawings and distributions	–	–	(662)	(662)
Balance at end of year	266	454	–	720

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.

24 Commitments under operating leases

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

	2018		2017	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one year	72	3	69	4
1–2 years	61	2	66	2
2–3 years	63	1	60	1
3–4 years	59	–	58	–
4–5 years	56	–	55	–
More than five years	485	–	507	–

25 Financial instruments

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

Derivatives, such as forward foreign-exchange contracts, 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.

Group financial assets and liabilities by category

				2018				2017
	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	1,244	–	–	–	1,110	–	–	–
Other investments	–	94	–	–	–	56	–	–
Cash and cash equivalents	218	–	–	–	75	–	–	–
Liabilities								
Trade and other payables	–	–	–	789	–	–	–	650
Borrowings	–	–	–	88	–	–	–	106
Provisions	–	–	–	44	–	–	–	43
Members' capital	–	–	–	266	–	–	–	231
Other non-current liabilities	–	–	–	89	–	–	–	96
Foreign-exchange derivative contracts								
Cash flow hedges	–	–	–	–	–	–	(1)	–

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

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

Available-for-sale investments (note 12), include:

- £30m (2017: £20m) of reservoir trust restricted assets, measured using quoted prices (level 1).
- £43m (2017: £16m) of other investments measured at fair value using observable inputs (level 2), comprising repayable interest-bearing subordinated loan notes and preference shares issued by entities in the PwC global network.
- £17m (2017: £17m) of other investments measured at fair value using unobservable inputs (level 3), comprising interest-bearing preference shares issued by entities in the PwC global network.
- £4m (2017: £3m) of other investments held at cost, comprising investments in a number of entities in the PwC global network.

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

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

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

25 Financial instruments continued

Financial risk management and management of capital

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

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

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

Liquidity risk

The Group's most significant treasury exposures relate to liquidity. The Group manages the risk of uncertainty in its funding operations by spreading the maturity profile of its borrowings and deposits, taking into account expected cash receipts and payments, and arranging committed facilities to provide a minimum headroom of 25% of forecast peak borrowing levels. The Group's facilities at 30 June 2018, totalling £619m (2017: £606m), were predominantly held with eight leading international banks, with £310m of facilities due to expire within one year, £39m between one and three years, and £270m after three years. The facilities due to expire within one year are expected to be renewed, on satisfactory terms, during the year ending 30 June 2019.

Credit risk

Cash deposits and other financial instruments with banks and other financial institutions give rise to counterparty risk. The Group manages this risk by reviewing counterparties' credit ratings regularly and limiting the aggregate amount and duration of exposure to any one counterparty, taking into account criteria such as credit rating, market capitalisation and relative credit default swap price. The minimum long-term credit rating of all banks and financial institutions who held the Group's short-term deposits during the year ended 30 June 2018 was A-.

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

Interest rate risk

The Group's borrowings and any surplus cash balances are held at variable interest rates linked to London interbank offered rate ('LIBOR'). Outstanding borrowings at 30 June 2018 are primarily denominated in US dollars, reflecting the composition of the Group's assets that are funded by the borrowings. A movement of 50 basis points in the interest rate on borrowings and surplus cash balances through the year would have had an immaterial impact on the pre-tax profits of the Group.

25 Financial instruments continued

Foreign currency risk

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

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

Interest rate profile of financial assets and liabilities

Group short-term deposits with banks of £160m (2017: £35m) and Group borrowings of £88m (2017: £106m) are subject to floating interest rates. LLP short-term deposits with banks of £159m (2017: £33m) are also subject to floating interest rates. Group investments include floating rate subordinated loan notes of £34m (2017: £9m) and fixed rate preference shares of £26m (2017: £24m). LLP investments include floating rate subordinated loan notes of £6m (2017: £6m) and fixed rate preference shares of £12m (2017: £11m).

Currency profile of financial assets and liabilities

The major part of the Group's income and expenditure is in sterling. After taking into account foreign-exchange contracts and known euro and US dollar/US dollar linked currency denominated assets and liabilities, the Group had net euro denominated assets at 30 June 2018 of £17m (2017: £19m) and net US dollar/US dollar linked currency denominated assets of £64m (2017: net liabilities of £24m).

Derivative financial instruments

Foreign-exchange derivative contracts all mature in less than two years, and have been valued using market prices prevailing at the reporting date. The ineffective portion of cash flow hedges recognised in the income statement for the year ended 30 June 2018 was nil (2017: nil). The effective portion of cash flow hedges recognised as other comprehensive income for the year ended 30 June 2018 was £1m (2017: other comprehensive expense of £9m). The notional principal amount of foreign-exchange derivative contracts at 30 June 2018 was £59m (2017: £50m).

26 Related party transactions

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

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

Arrangements are in place for the LLP to supply services to the United Kingdom Partnership in connection with certain client assignments. For the year ended 30 June 2018, the LLP provided services to the United Kingdom Partnership to the value of £154,000 (2017: £190,000) under these arrangements. There were no balances outstanding at 30 June 2018 (2017: 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 (2017: £200,000) for these support services for the year ended 30 June 2018. There were no balances outstanding at 30 June 2018 (2017: nil). Amounts paid during the year ended 30 June 2018 to the annuitants on behalf of the continuing members in their capacity as members of the United Kingdom Partnership totalled £97m (2017: £97m).

Group transactions with joint ventures and associates

Details of the Group's interests in joint ventures and associates are provided in note 11.

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

	2018 £m	2017 £m
Purchase of services from related parties		
Skyval Holdings LLP and subsidiary undertakings	3	3
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	14	6
PricewaterhouseCoopers Mobility Technology Services LLC	1	2
PwC Poland Services Limited and subsidiary undertakings	8	1
Provision of services to related parties		
PwC Poland Services Limited and subsidiary undertakings	(1)	–
PricewaterhouseCoopers Mobility Technology Services LLC	(3)	(3)

In addition, the Group made capital contributions of £1m (2017: £1m) and subscribed for repayable interest-bearing preference shares of £2m (2017: £3m) in PwC Poland Services Limited, and made capital contributions of £1m (2017: nil) in Bolt Partners Limited. Subsequent to the year ended 30 June 2018, the Group disposed of its interest in Skyval Holdings LLP with no gain or loss recognised on disposal.

Group

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

	2018 £m	2017 £m
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	(1)	–
PwC Poland Services Limited and subsidiary undertakings	(1)	–
Skyval Holdings LLP and subsidiary undertakings	–	(1)

26 Related party transactions continued

LLP

The subsidiary undertakings, jointly controlled entities and associates listed in note 27 are related parties of the LLP. The transactions during the year with these related parties were as follows:

	2018 £m	2017 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	1,731	1,660
Other subsidiaries, jointly controlled entities and associates	6	9
Provision of services to related parties		
Other subsidiaries, jointly controlled entities and associates	(16)	(22)
Income received from investments in related parties		
PwC Holdings (UK) Limited	(74)	(8)
Other subsidiaries, jointly controlled entities and associates	(13)	(4)

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

	2018 £m	2017 £m
PricewaterhouseCoopers Services Limited	(404)	(307)
PwC Holdings (UK) Limited	49	11
PricewaterhouseCoopers (Middle East Group) Limited	7	6
PwC Information Technology Services Limited	7	7
PwC Strategy& UK Holdings LLP	(2)	(3)
Amounts due from other subsidiaries	9	2
Amounts due to other subsidiaries	(4)	(1)
Amounts due from jointly controlled entities and associates	1	2

Details of movements in investments in subsidiary undertakings and the effect of the PricewaterhouseCoopers Legal LLP business transfer in the prior year are provided in note 10.

27 Subsidiary undertakings and jointly controlled entities

Subsidiary undertakings

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

All subsidiary companies are 100% owned by the Group, except for EMEA Advisory Services Ltd (in liquidation), which is 66.66% owned.

UK group companies	Country of incorporation	Share class	% directly held by PwC LLP
Registered office: 1 Embankment Place, London, WC2N 6RH			
AIMS Holdings No. 1 Limited	England	£1.00 ordinary shares	–
AIMS Holdings No. 2 Limited	England	£1.00 ordinary shares	–
Barbinder Executors & Trustees - (an unlimited company)	England	£1.00 ordinary shares	100
Barbinder Freehold - (an unlimited company)	England	£1.00 ordinary shares	100
Beyond Food Community Interest Company	England	£1.00 ordinary shares	–
Cooper Brothers & Co. Limited	England	A and B class ordinary £1.00 shares	100
Coopers & Lybrand Limited	England	£1.00 ordinary shares	100
Farringdon Trustees - (an unlimited company)	England	£0.10 ordinary shares	100
Frederick's Place Nominees - (an unlimited company)	England	£1.00 ordinary shares	100
Price Waterhouse Limited	England	£1.00 ordinary shares	–
Price Waterhouse MCS UK Holdings B.V.	Netherlands	EUR 1.00 ordinary shares	100
Price Waterhouse MCS UK Holding Company - (an unlimited company)	England	£1.00 ordinary shares and £1.00 preference shares	–
PricewaterhouseCoopers (Resources) Limited	England	£1.00 ordinary shares	20
PricewaterhouseCoopers Advisory Services Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers ASM Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers Consulting Services UK Limited (formerly Optimisa Research Limited)	England	£1.00 ordinary shares	–
PricewaterhouseCoopers CFR Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers ME Holdings Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Overseas Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Services Limited	England	£1.00 ordinary shares	–
PRPi Consulting Limited	England	A and B class ordinary £1.00 shares	–
PwC Change Management Holdings Limited	England	A and B class ordinary £0.10 shares	–
PwC Change Management Limited	England	£1.00 ordinary shares	–
PwC Consulting Associates Limited	England	£1.00 ordinary shares	–
PwC Digital Services (UK) Limited (formerly cDecisions Limited)	England	A and C class ordinary £1.00 shares	–
PwC London Bridge Limited	England	£1.00 ordinary shares	–
PwC Holdings (UK) Limited	England	£1.00 ordinary shares	100
PwC Information Technology Services Limited	England	£1.00 ordinary shares	–
PwC Performance Solutions Limited	England	£0.05 ordinary shares	–
PwC Performance Solutions (No. 2) Limited	England	£1.00 ordinary shares	–
PwC Performance Solutions (No. 3) Limited	England	£1.00 ordinary shares	–
PwC Strategy& (UK) Ltd.	England	£1.00 ordinary shares	–
PwC Strategy& Services (UK) Limited	England	£1.00 ordinary shares	–
PwC Tax Information Reporting Limited	England	£1.00 ordinary shares	–
PWSP - (an unlimited company)	England	£1.00 ordinary shares	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
Registered office: 1 Embankment Place, London, WC2N 6DX			
PricewaterhouseCoopers Legal (Resources) Limited	England	£1.00 ordinary shares	100
PwC Legal (UAE) Limited	England	£1.00 ordinary shares	–
Registered office: Hays Galleria, 1 Hays Lane, London, SE1 2RD			
Petershill Secretaries Limited	England	£1.00 ordinary shares	100
Sunbury Secretaries Limited	England	£1.00 ordinary shares	100
Registered office: Atria One, 144 Morrison Street, Edinburgh, Scotland, EH3 8EX			
PricewaterhouseCoopers Assurance UK Limited	Scotland	£1.00 ordinary shares	–
The Barbinder Trust (Scotland) - (an unlimited company)	Scotland	£1.00 ordinary shares	–
Registered office: PwC House, Plot No. 18/a, Guru Nanak Road, Station Road, Bandra West, Mumbai, Maharashtra, India - 400050			
PricewaterhouseCoopers AIMS Support Services India Private Limited	India	INR 500 ordinary shares	100
Registered office: Royal Bank Place, 1 Glategny Esplanade, Guernsey, GY1 2HJ			
PricewaterhouseCoopers Alliance Limited	Guernsey	£nil ordinary shares	50

27 Subsidiary undertakings and jointly controlled entities continued

UK group companies	Country of incorporation	Share class	% directly held by PwC LLP
Registered office: One International Towers, Watermans Quay, Bangaroo, NSW, Australia, 2000			
PricewaterhouseCoopers Information Technology Services (Australia) Holdings Pty Ltd	Australia	AUD 1.00 ordinary shares	–
PricewaterhouseCoopers Information Technology Services (Australia) Pty Ltd	Australia	AUD 1.00 ordinary shares	–
Selera Solutions Pty Ltd	Australia	AUD 1.00 ordinary shares	–

Channel Islands group companies	Country of incorporation	Share class	% directly held by PwC LLP
Registered office: P.O. Box 321, First Floor, Royal Bank Place, 1 Glategny Esplanade, Guernsey, GY1 2HJ			
Midhurst Properties Limited	Guernsey	£1.00 ordinary shares	–
Pembroke House Limited	Guernsey	£1.00 ordinary shares	–
PricewaterhouseCoopers Services (Guernsey) Limited	Guernsey	£1.00 ordinary shares	–
PwC Properties (Guernsey) Limited	Guernsey	£1.00 ordinary shares	–
Registered office: 37 Esplanade, St Helier, Jersey, JE1 4XA			
PricewaterhouseCoopers Professional Services Limited	Jersey	£1.00 ordinary shares	–
PricewaterhouseCoopers Services (Jersey) Limited	Jersey	£1.00 ordinary shares	–
PwC Channel Islands Limited	Jersey	£1.00 ordinary shares	–
PwC Properties (Jersey) Limited	Jersey	£1.00 ordinary shares	–
PwC Pension Scheme Trustees Limited	Jersey	£1.00 ordinary shares	–

Middle East group companies	Country of incorporation	Share class	% directly held by PwC LLP
Registered office: Adol Street, Ben Ashour, P.O. Box 81577, Tripoli, Libya			
Al Motahedoon Company Chartered Accountants and Registered Auditors LLC	Libya	LYD 20.00 ordinary shares	–
Registered office: Unit 408 & 409, Level 4, Gate Precinct Building 5, Dubai International Financial Centre, P.O. Box 11987, Dubai, UAE			
EMEA Advisory Services Ltd (in liquidation)	UAE	USD 1.00 A class shares	–
Registered office: 4th Floor, Al-Hitmi Building #8, Corniche Road, P.O. Box 25422, Doha, Qatar			
Harding Lowe Professionals LLC (in liquidation)	Qatar	AED 1.00 ordinary shares	–
Registered office: OMC Chambers, Wickams Cay 1, Road Town Tortola, British Virgin Islands			
HLP Consulting Limited	British Virgin Islands	USD 1.00 ordinary shares	–
Registered office: Office 125, 1st Floor, OBY Building, Hamdan Street, Abu Dhabi, UAE			
HLP International Consulting LLC	UAE	AED 1.00 ordinary shares	–
Registered office: 3302 Saba Tower 1, Jumeirah Lakes Towers, Cluster E, Dubai, UAE			
PwC Digital Services	UAE	AED 1,000.00 ordinary shares	–
Registered office: Tornado Tower, 41st Floor, P.O. Box 6689, Doha, Qatar			
PricewaterhouseCoopers – Qatar LLC	Qatar	USD 1.00 A class shares	–
Registered office: Third Circle, Jabal Amman, 14 Hazza' Al-Majali Street, P.O. Box 5175, Amman 11183, Jordan			
PricewaterhouseCoopers "Jordan"	Jordan	JOD 1.00 ordinary shares	–
Registered office: 3rd Floor, Saba House Building, Block B&C, Said Freiha Street, Hazmieh, Beirut, Lebanon, P.O. Box 11-3155			
PricewaterhouseCoopers (Offshore) S.A.L.	Lebanon	LBP 30,000.00 ordinary shares	–
Registered office: P.O. Box 321, Royal Bank Place, 1 Glategny Esplanade, St Peter Port, Guernsey, GY1 4ND			
PricewaterhouseCoopers (Holdings) Guernsey Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers (Holdings) Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers (Middle East Group) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Bahrain Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Bahrain Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Holdings ME Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Iraq Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers KSA (Advisory) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Kuwait Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Kuwait Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Libya Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Oman Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Palestinian Territories Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Palestinian Territories Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Qatar Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Qatar Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Saudi Arabia (Advisory) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Saudi Arabia (CF) Limited	Guernsey	£nil ordinary shares	–
PwC Holdings Guernsey Limited	Guernsey	£nil ordinary shares	–
PwC Holdings MER Limited	Guernsey	£nil ordinary shares	–
PwC Holdings Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Saudi Arabia Holdco Limited	Guernsey	£nil ordinary shares	–

27 Subsidiary undertakings and jointly controlled entities continued

Middle East group companies	Country of incorporation	Share class	% directly held by PwC LLP
Registered office: Kingdom Tower, P.O. Box 13934, Riyadh 11414, Kingdom of Saudi Arabia			
PricewaterhouseCoopers Advisory Limited	Saudi Arabia	SAR 2,000.00 ordinary shares	–
Registered office: Arraya Tower II, 23rd-24th Floor, Safat 13018, P.O. Box 1753, Al-Shuhada Street, Sharq, Kuwait			
PricewaterhouseCoopers Advisory Services WLL	Kuwait	KWD 5,000.00 membership units	–
Registered office: Plot No. 211, Second Sector, City Center, New Cairo 11835, Egypt, P.O. Box 170, New Cairo			
PricewaterhouseCoopers Financial Consultancy SAE	Egypt	EGP 100.00 ordinary shares	–
PricewaterhouseCoopers - LLC	Egypt	EGP 100.00 ordinary shares	–
Registered office: Salam Square – South, 4th floor, Suites 402-404, Madinat Al Sultan Qaboos, P.O. Box 3075, Ruwi, Post Code 112, Muscat, Oman			
PricewaterhouseCoopers L.L.C.	Oman	OMR 1.00 ordinary shares	–
Registered office: Office 801, Level 8, Al Fattan Currency House, Tower 1, Dubai, UAE			
PricewaterhouseCoopers Limited	UAE	AED 1.00 ordinary shares	–
Registered office: Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE			
PwC Commercial Brokers LLC	UAE	AED 1.00 ordinary shares	–
PwC Academy LLC	UAE	AED 1.00 ordinary shares	–
Registered office: Gulan Street, English Village, Building No. 252, Erbil, Kurdistan, Republic of Iraq			
PricewaterhouseCoopers Management Advisory LLC	Iraq	IQD 1.00 ordinary shares	–
Registered office: C/o The Corporation Trust Centre, 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, USA			
PwC Strategy& Services (Middle East) Limited	USA	USD 1.00 ordinary shares	–
Registered office: P.O. Box 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands			
Strategy& (Middle East) Ltd.	Cayman Islands	USD 1.00 ordinary shares	–
Registered office: Star Capital 2, 9th Floor, Aly Rashed Street, Heliopolis West 11771, Cairo, Egypt			
Strategy& (Egypt) LLC	Egypt	EGP 100.00 ordinary shares	–
Registered office: 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, USA			
Strategy& (Lebanon) LLC	USA	Membership units	–
Registered office: Al Fattan Currency House, Tower 1, Level 8, Dubai International Financial Centre, Dubai, UAE			
Strategy& (M.E.) LLC	UAE	AED 1.00 ordinary shares	–
Registered office: 10th Floor, Tower 2, Qatar Financial Centre, West Bay, Doha, Qatar			
Strategy& (QFC) LLC	Qatar	USD 1.00 ordinary shares	–
Registered office: Al Salah Tower, G 103, Prince Faisal Bin Fahad Street, Khubar, Kingdom of Saudi Arabia			
Strategy& Saudi Arabia	Saudi Arabia	SAR 100.00 ordinary shares	–
Registered office: Muscat International Centre, Muttrah Business District, Bait Al Falj Street, P.O. Box 686, Ruwi, Post Code 112, Muscat, Oman			
Strategy& Services (Middle East) LLC	Oman	OMR 1.00 ordinary shares	–

UK group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Principal place of business
Registered office: 1 Embankment Place, London, WC2N 6DX		
PricewaterhouseCoopers Legal LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6DX
PricewaterhouseCoopers Legal Middle East LLP	Limited liability partnership	Rd No. 2811, Seef, Bahrain
Registered office: 1 Embankment Place, London, WC2N 6RH		
Accounting Advisory (UK) LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6RH
PricewaterhouseCoopers AS LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6RH
PwC Strategy& UK Holdings LLP	Limited liability partnership	1 Embankment Place, London, WC2N 6RH

Channel Islands group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Principal place of business
Registered office: 1 Embankment Place, London, WC2N 6RH		
PricewaterhouseCoopers CI LLP	Limited liability partnership	37 Esplanade, St Helier, Jersey, JE2 3QE

Middle East group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office and principal place of business
Mansour & Co. PricewaterhouseCoopers	Partnership	Plot No. 211, Second Sector, City Center, New Cairo 11835, Egypt, P.O. Box 170, New Cairo
Pricewaterhouse Coopers Middle East Limited	Regional office	Third Circle, Jabal Amman, 14 Hazza' Al-Majali Street, P.O. Box 5175, Amman 11183, Jordan
PricewaterhouseCoopers	Partnership	Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda
PricewaterhouseCoopers	Partnership	Saba House Building, Block B&C, Said Freiha Street, Hazmieh, P.O. Box 11-3155, Beirut, Lebanon
PricewaterhouseCoopers (Abu Dhabi Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
PricewaterhouseCoopers (ADGM Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE

27 Subsidiary undertakings and jointly controlled entities continued

Middle East group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office and principal place of business
PricewaterhouseCoopers (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, Juiphar Towers, P.O. Box 9705, RAK, UAE
PricewaterhouseCoopers – SHJ. BR.	Branch	11th Floor, Baitha Towers, Cornish, P.O. Box 63801 82162, Sharjah, UAE
PricewaterhouseCoopers Al-Shatti & Co	Unincorporated entity	Arraya Tower II, 23rd-24th Floor, Safat 13018, P.O. Box 1753, Al-Shuhada Street, Sharq, Kuwait
PricewaterhouseCoopers Bahrain Limited	Branch	Block 317, Road 1702, Building 135, Flat 41, Manama, Bahrain
PricewaterhouseCoopers LLP – Muscat Branch	Branch	Salam Square – South, 4th floor, Suites 402-404, Madinat Al Sultan Qaboos, P.O. Box 3075, Ruwi, Post Code 112, Muscat, Oman
PricewaterhouseCoopers Management Advisory (Baghdad Branch)	Branch	Quarter 601, Street 9, House 16, Al Ameerat Street, Al Mansour District, Baghdad, Republic of Iraq
PricewaterhouseCoopers Palestinian Territories Limited	Branch	Masrouji Building 201, Ramallah, West Bank, P.O. Box 1318
PricewaterhouseCoopers – Public Accountants	Partnership	Kingdom Tower, 21st Floor, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia
Saadi & Co.	Partnership	Shufat Street 5, East Jerusalem, P.O. Box 51084
Strategy& (Lebanon) LLC	Branch	6th Floor, Block A, 2 Park Avenue, Solidere, P.O. Box 16-6541, Beirut, Lebanon
Strategy& (Middle East) Ltd.	Branch	Al Sila Tower, Level 17, Sowwah Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& (Middle East) Ltd. (Abu Dhabi Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& (Middle East) Ltd. (ADGM Branch)	Branch	25th-26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& (Middle East) Ltd. (Oman Branch)	Branch	Muscat International Centre, Muttrah Business District, Bait Al Falj Street, P.O. Box 686, Ruwi, Post Code 112, Muscat, Oman
Strategy& (Saudi Arabia) Ltd. (Oman Branch)	Branch	Muscat International Centre, Muttrah Business District, Bait Al Falj Street, P.O. Box 686, Ruwi, Post Code 112, Muscat, Oman

Jointly controlled entities and associates

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

Companies	Country of incorporation	Share class	% directly held by PwC LLP	% held by Group
Registered office: 1 Portland Place, London, W1B 1PN				
Bolt Partners Limited	England	£0.0001 ordinary shares	–	25
Registered office: Niederkassler Lohweg 18, 40547, Düsseldorf, Germany				
Outbox Deutschland GmbH	Germany	EUR 1.00 ordinary shares	–	50
Registered office: 300 Atlantic Street, Stamford, CT, 06901, USA				
PricewaterhouseCoopers Mobility Technology Services LLC	USA	Membership units	–	50
Registered office: Raamweg 1B, 2596 HL The Hague, The Netherlands				
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	Netherlands	EUR 1.00 C class shares	–	33.33
Registered office: ul. Lecha Kaczyńskiego, 00-638 Warsaw, Poland				
PricewaterhouseCoopers Service Delivery Center Poland Sp. Z o.o.	Poland	PLN 50.00 ordinary shares	–	33.33
Registered office: ul. Puławska 182, 02-670 Warsaw, Poland				
PwC IT Services Sp. Z o.o.	Poland	PLN 50.00 ordinary shares	–	50
Registered office: 1 Embankment Place, London, WC2N 6DX				
PwC Poland Services Limited	England	£1.00 ordinary shares	–	50
Registered office: 77 Kingsway, London, WC2B 6SR				
Skyval Limited	England	£1.00 ordinary shares	–	20

Limited liability partnerships	Legal form	Principal place of business
Registered office: 77 Kingsway, London, WC2B 6SR		
Skyval Holdings LLP	Limited liability partnership	77 Kingsway, London, WC2B 6SR

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