PricewaterhouseCoopers LLP

Members' report and financial statements for the financial year ended 30 June 2023

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Contents

Members' report for the financial year ended 30 June 2023

The members present their report and the audited consolidated financial statements of PricewaterhouseCoopers LLP ('the LLP') and its subsidiary undertakings (together 'the Group') for the financial year ended 30 June 2023.

Principal activity

The principal activity of the Group is the provision of professional services, including audit, tax and legal, deal and risk advisory and consulting in the United Kingdom, the Middle East and the Channel Islands.

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:
  - The Executive Board, responsible for the execution of the policies, strategy and management of the LLP.
  - The 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, material bilateral Network arrangements and Alternative Delivery Models where such delivery occurs outside of the United Kingdom.
  - An Investment Committee, which supports growth of the LLP by providing governance for investments, including acquisitions, joint ventures and disposals.
  - A Partner Matters Committee, responsible for certain human resource matters relating to members.
  - A Client Committee, a committee of the Clients and Markets Executive, which considers engagement and client acceptance decisions.
  - An Executive Risk Committee, responsible for maintaining an effective risk framework and overseeing and challenging the management of risk across the LLP.
- A Supervisory Board, which reviews, challenges and gives guidance to the Management Board on matters which the Supervisory Board considers to be of concern to the members, having regard to the interests and wellbeing of the LLP as a whole. The Audit Committee, a committee of the Supervisory Board, monitors and reviews the integrity of the Group's financial statements.
- A Public Interest Body, the purpose of which is to enhance stakeholder confidence in the public interest aspects of the LLP's activities through the involvement of independent non-executives. The Public Interest Body enables the LLP to fulfil certain responsibilities set out in the Audit Firm Governance Code (as updated from time to time). The Audit Oversight Body, a committee of the Public Interest Body, oversees the obligations of the LLP with respect to the pursuit of the Financial Reporting Council's objectives, outcomes and principles for operational separation of audit practices insofar as they are within the control of the audit practice and enhance the LLP's ability to fulfil certain responsibilities set out in the Audit Firm Governance Code.

Designated members

Kevin Ellis was the designated member (as defined in the Limited Liability Partnerships Act 2000) of the LLP during the whole of the financial year ended 30 June 2023. On 8 August 2022, Marco Amitrano and Marissa Thomas were also appointed as designated members. On 31 August 2022, Warwick Hunt resigned as a designated member.

Members' capital

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions, totalling £286m (2022: £274m), are determined by the Executive Board with the approval of the Supervisory Board, having regard to the working capital needs of the business. They are set by reference to an individual member's equity unit profit share and are repayable following the member's retirement.

Members' profit shares and drawings

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

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

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

Each member's performance income is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the member's role. These objectives include ensuring the delivery of quality services, managing risk effectively and maintaining independence and integrity. There is transparency among the members over the total income allocated to each individual.

The overall policy for members' monthly drawings is to divide 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.

Members' report continued

Going concern

The Group continues to demonstrate adaptability and resilience in the current macroeconomic environment, operating effectively, providing ongoing services to clients and meeting new client needs, whilst maintaining a healthy working capital position. The Group continues its period of planned growth, in line with its business plan and underpinned by a number of strategic growth areas, placing the Group in a strong financial position at 30 June 2023, with a high level of liquidity.

In the assessment of going concern, the Executive Board has considered the economic environment in the markets in which the Group operates, including prevailing macroeconomic conditions such as inflation, skills availability and the impact of geopolitical uncertainty on economic growth, and how the position might develop in future. The Executive Board's assessment includes planning appropriate responses for a range of possible scenarios. The central assumption is that, owing to ongoing successful trading activity for the financial year ending 30 June 2024, the Group will maintain the momentum achieved in the prior year with positive net cash balances over the entire period. In the plausible downside scenario considered by the Executive Board, macroeconomic risks accelerate, impacting trading performance in all areas, but most significantly transactions-based services. The Group's financial modelling shows that the position remains manageable in all scenarios with adequate levels of headroom being maintained against available working capital financing facilities even in the downside scenario.

Should the impacts of the uncertainty in the economic environment significantly worsen, management has the option of taking additional measures such as postponing or curtailing spend, including partner distributions, staff bonuses, discretionary spend and investments, and requesting additional capital contributions from members. The Group also maintains an appropriate level of borrowing facilities.

Having regard to all of the above, the Executive Board has, at the time of approving the financial statements, a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus, 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 financial year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the LLP or the Group will continue in business.

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

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

The members are also responsible for the maintenance and integrity of the LLP's website on which the financial statements are available. Legislation governing the preparation and dissemination of financial statements may differ in other jurisdictions from that in the United Kingdom.

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 2023 on behalf of the Executive Board by:

Kevin Ellis
Chairman and Senior Partner

Marissa Thomas
Managing Partner and Chief Operating Officer

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PricewaterhouseCoopers LLP ('the LLP') and its subsidiaries (together 'the Group') for the financial year ended 30 June 2023, which comprise:

- the consolidated income statement and consolidated statement of comprehensive income of the Group for the financial year ended 30 June 2023;
- the statements of financial position of the Group and the LLP at 30 June 2023;
- the statements of cash flows and statements of changes in equity of the Group and the LLP for the financial year ended 30 June 2023; 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 Accounting Standards as adopted by the UK and with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the LLP's affairs at 30 June 2023 and of the Group's profit for the financial year then ended;
- the financial statements have been properly prepared in accordance with International Accounting Standards as adopted by the UK; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006, as applied to limited liability partnerships.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

In our work we have assessed the key assumptions feeding into the models used by management to assess going concern. The key assumptions include growth rates and the impact of inflation. We performed sensitivity analysis around the key inputs to the model to determine the adequacy and sensitivity of the model, and discussed with management whether there were any circumstances beyond the period of assessment that may cast significant doubt on the Group's and LLP's ability to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and LLP's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and 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 £40m (2022: £40m) and £34m (2022: £35m) respectively. In determining this, we have given specific focus and weighting to the benchmarks in respect of revenue (0.75% of Group and LLP revenue) and profit for the financial year (5% of Group and LLP profit for the financial year). We considered these benchmarks given the focus on the Group's revenue in external league tables and the importance of the profit measure.

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. The performance materiality figures for the Group and the LLP were determined to be £28m (2022: £28m), and £23.8m (2022: £24.5m) respectively.

Overview of our audit approach continued

Materiality continued

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

We agreed with the Audit Committee to report to it all identified errors in excess of £0.5m (2022: £0.5m). Errors and misstatements 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 (the Middle East group). Our audit was conducted from the main operating location and all material subsidiaries, including the Middle East group, were within the scope of our audit testing.

For the Middle East group, the audit was led by a separate team and key audit partner. Under their direction and supervision, a member firm of the Crowe Global network undertook specified audit procedures in the Middle East. We planned the work following a series of planning meetings with local management and the local audit team. The Middle East group audit team visited the Middle East at both the planning and completion stage of the audit to review the work of the local audit team and to discuss matters with both them and local management.

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

Key audit matters

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

In determining the key audit matters, we noted that there have been no changes in the Group's operations during the financial 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 the 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 contract assets The Group enters into a broad range of client contract types. The timing of revenue recognition on these contracts is dependent on the fulfilment of contractual terms that can be complex and involve subjective judgements on contract completeness and recoverability. Estimates are also required in assessing the fair value of contract assets. Revenue recognition and the valuation of contract assets are included within note 1 as areas of critical accounting estimate. The accounting policy for revenue is outlined in note 2. The disclosure of contract assets and contract liabilities is included within notes 14 and 16 respectively.	We tested the operating effectiveness of controls in relation to revenue recognition. We selected a sample of client assignments focusing on material contracts and contracts that met certain identified risk criteria. Our testing focused on ensuring that revenue was recognised in accordance with the accounting policy and included obtaining details of the underlying contract, agreeing key engagement terms regarding enforceable rights to payment for work performed to date, obtaining evidence of fulfilment and the justification for the stage of completeness. As part of our work we challenged a range of areas including whether identified performance obligations were distinct, performance obligations had been satisfied for revenue recognised, the right to payment for work performed to date was enforceable in certain situations, assessments of costs to complete were appropriate and consistent with other evidence and whether the Group was acting as principal or agent. We reviewed provisions carried against the value of accrued income, ensuring a suitable assessment had been performed considering provisions held at both engagement and portfolio levels. We found no material misstatements arising from our testing. We consider the disclosure in notes 2, 14 and 16 to the financial statements to be appropriate having given specific regard to this being an area of critical accounting estimate.
Provisions for claims and regulatory proceedings Disputes and regulatory proceedings arise in the normal course of business. We focused on this area because of the potential financial impact that a major claim or regulatory proceeding could have on the Group and because of the uncertainties involved, including the need to exercise judgement. Provisions in respect of claims and regulatory proceedings are included within note 1 as an area of critical accounting estimate. The disclosure of provisions for claims and regulatory proceedings is included in note 19.	We met with the Group's Deputy 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 reviewed external legal advice and details of judgements where relevant, and reviewed the controls operating around the completeness of reporting. 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 19 to the financial statements to be appropriate having given specific regard to this being an area of critical accounting estimate.

Other information

The members are responsible for the other information. The other information comprises the members' report and the energy and carbon reporting, which is published with the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 other information 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 other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

Responsibilities of the members for the financial statements

As explained more fully in the Statement of members' responsibilities in respect of the financial statements set out on page 3, the members are responsible for the preparation of the Group's and 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.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management, the improper application of the revenue recognition accounting policy and the risk of inappropriate judgements surrounding the recognition of liabilities arising from claims relating to litigation or regulatory sanction.

Auditor's responsibilities for the audit of the financial statements continued

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and LLP and the procedures in place for ensuring compliance in the jurisdictions where the Group and LLP operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 as applied to limited liability partnerships and those regulations related to the firm's activities as a firm of chartered accountants.

Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, use of data analytics in the analysis of journals, reviewing accounting estimates for biases, a review and assessment of the revenue recognised on a selection of client engagements to ensure appropriate application of revenue recognition policies and discussions with in-house General Counsel around the provisions held for claims, litigation and sanction.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected a material misstatement in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing, and cannot be expected to detect, non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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/auditscopeukprivate. This description forms part of our auditor's report.

Use of our report

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

M Stallabrass

Matthew Stallabrass
(Senior Statutory Auditor)

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

10 August 2023

Consolidated income statement for the financial year ended 30 June 2023

	Note	2023 £m	2022 £m
Revenue	2	5,792	5,002
Expenses and disbursements on client assignments		(635)	(541)
Net revenue		5,157	4,461
Staff costs	3	(2,834)	(2,295)
Depreciation, amortisation and impairment of non-financial assets	4	(134)	(126)
Other operating charges	4	(776)	(579)
Gain on disposal of business	5	4	139
Net impairment (losses) credits on financial assets	4	(11)	7
Operating profit		1,406	1,607
Finance income	6	40	8
Finance expense	6	(28)	(27)
Profit on ordinary activities before taxation		1,418	1,588
Tax expense	7	(93)	(53)
Profit for the financial year		1,325	1,535
Profit for the financial year attributable to:			
Members	24	934	1,213
Non-controlling interests	24	391	322
Profit for the financial year		1,325	1,535

Consolidated statement of comprehensive income for the financial year ended 30 June 2023

	Note	2023 £m	2022 £m
Profit for the financial year		1,325	1,535
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	24	(1)	5
Translation of foreign operations	24	(24)	33
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefits	23	(219)	118
Other comprehensive (expense) income for the financial year		(244)	156
Total comprehensive income for the financial year		1,081	1,691
Total comprehensive income for the financial year attributable to:			
Members		723	1,339
Non-controlling interests		358	352
Total comprehensive income for the financial year		1,081	1,691

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

Statements of financial position at 30 June 2023

		Group		LLP	
	Note	2023 £m	2022 £m	2023 £m	2022 £m
Non-current assets					
Property, plant and equipment	8	211	209	–	–
Right-of-use assets	9	619	663	–	–
Goodwill	10	77	81	6	6
Other intangible assets	10	10	11	3	–
Deferred tax assets	22	12	11	–	–
Investments in subsidiaries	11	–	–	57	57
Interests in joint ventures and associates	12	3	3	–	–
Other investments	13	104	105	66	68
Retirement benefit assets	23	153	318	153	318
		1,189	1,401	285	449
Current assets					
Trade and other receivables	14	1,759	1,580	1,064	1,000
Cash and cash equivalents	15	1,073	1,128	721	815
		2,832	2,708	1,785	1,815
Total assets		4,021	4,109	2,070	2,264
Current liabilities					
Trade and other payables	16	(1,183)	(1,053)	(1,125)	(949)
Taxes payable		(52)	(56)	(3)	–
Borrowings	17	(11)	(16)	–	–
Lease liabilities	9	(90)	(83)	–	–
Provisions	19	(2)	(1)	–	–
Other liabilities	21	(8)	(9)	–	–
Members' capital	20	(9)	(12)	(9)	(12)
		(1,355)	(1,230)	(1,137)	(961)
Non-current liabilities					
Borrowings	17	(16)	(41)	–	–
Lease liabilities	9	(614)	(666)	–	–
Deferred tax liabilities	22	(21)	(19)	–	–
Retirement benefit obligations	23	(67)	(58)	–	–
Provisions	19	(152)	(146)	(33)	(65)
Other liabilities	21	(187)	(155)	–	–
Members' capital	20	(277)	(262)	(277)	(262)
		(1,334)	(1,347)	(310)	(327)
Total liabilities		(2,689)	(2,577)	(1,447)	(1,288)
Net assets		1,332	1,532	623	976
Equity					
Members' reserves	24	1,136	1,358	623	976
Non-controlling interests	24	196	174	–	–
Total equity		1,332	1,532	623	976
Members' interests					
Members' capital	20	286	274	286	274
Members' reserves	24	1,136	1,358	623	976
Total members' interests	24	1,422	1,632	909	1,250

The exemption under section 408 of the Companies Act 2006, as applied to limited liability partnerships, from presenting the LLP's income statement has been taken. The LLP's profit for the financial year ended 30 June 2023 was £801m (2022: £1,135m).

The financial statements on pages 9 to 56 were authorised for issue and signed on 10 August 2023 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC303525, by:

Kevin Ellis
Chairman and Senior Partner

Marissa Thomas
Managing Partner and Chief Operating Officer

Statements of cash flows for the financial year ended 30 June 2023

	Group 2023 £m	Group 2022 £m	LLP 2023 £m	LLP 2022 £m
Cash flows from operating activities				
Profit for the financial year	1,325	1,535	801	1,135
Tax on profits	93	53	3	–
Adjustments for:				
Depreciation, amortisation and impairment of non-financial assets	134	126	1	–
(Gain) loss on disposal of property, plant and equipment	(1)	1	–	–
Gain on disposal of business	(4)	(139)	–	(130)
Loss on disposal of other investments	–	1	–	1
Foreign-exchange movements	(23)	28	–	–
Income from investments in subsidiaries	–	–	(8)	(34)
Finance income	(40)	(8)	(34)	(6)
Finance expense	28	27	–	–
Changes in working capital (excluding the effects of acquisitions and disposals):				
Increase in trade and other receivables	(220)	(261)	(73)	(149)
Increase in trade and other payables	134	71	169	143
Increase (decrease) in provisions	16	29	(24)	14
Movement in retirement benefits	(31)	(30)	(31)	(30)
Cash generated from operations	1,411	1,433	804	944
Tax paid	(91)	(53)	–	–
Net cash inflow from operating activities	1,320	1,380	804	944
Cash flows from investing activities				
Purchase of business	(3)	(8)	–	–
Proceeds from sale of business	26	165	9	165
Purchase of property, plant and equipment	(57)	(52)	–	–
Proceeds from sale of property, plant and equipment	3	1	–	–
Purchase of intangible assets	(5)	(5)	(4)	–
Purchase of other investments	(14)	(12)	–	–
Proceeds from redemption of other investments	15	2	2	–
Distributions received from joint ventures and associates	–	2	–	–
Interest received	27	5	20	3
Income received from investments in subsidiaries	–	–	8	34
Net cash (outflow) inflow from investing activities	(8)	98	35	202
Cash flows from financing activities				
Repayment of borrowings	(28)	(16)	–	–
Lease liabilities:				
Finance charges on lease liabilities	(17)	(18)	–	–
Principal payments of lease liabilities	(73)	(70)	–	–
Interest paid	(5)	(5)	–	–
Capital contributions by members	33	28	33	28
Capital repayments to members	(21)	(24)	(21)	(24)
Payments to members	(945)	(893)	(945)	(893)
Capital contributions by non-controlling interest partners	98	65	–	–
Capital repayments to non-controlling interest partners	(63)	(40)	–	–
Payments to non-controlling interest partners	(336)	(204)	–	–
Net cash outflow from financing activities	(1,357)	(1,177)	(933)	(889)
Net (decrease) increase in cash and cash equivalents	(45)	301	(94)	257
Foreign-exchange movements	(10)	21	–	–
Cash and cash equivalents at beginning of financial year	1,128	806	815	558
Cash and cash equivalents at end of financial year (note 15)	1,073	1,128	721	815

Statements of changes in equity for the financial year ended 30 June 2023

	Group			LLP
	Available for division among members £m	Attributable to non-controlling interests £m	Total £m	Total £m
Balance at beginning of prior financial year (note 24)	912	26	938	610
Profit for the financial year	1,213	322	1,535	1,135
Other comprehensive income for the financial year	126	30	156	124
Total comprehensive income	1,339	352	1,691	1,259
Profit divided in the financial year	(893)	(204)	(1,097)	(893)
Transactions with owners	(893)	(204)	(1,097)	(893)
Balance at end of prior financial year (note 24)	1,358	174	1,532	976
Profit for the financial year	934	391	1,325	801
Other comprehensive expense for the financial year	(211)	(33)	(244)	(209)
Total comprehensive income	723	358	1,081	592
Profit divided in the financial year	(945)	(336)	(1,281)	(945)
Transactions with owners	(945)	(336)	(1,281)	(945)
Balance at end of financial year (note 24)	1,136	196	1,332	623

Notes to the financial statements for the financial year ended 30 June 2023

1 Basis of preparation

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

The financial statements have been prepared in accordance with International Accounting Standards ('IAS') as adopted by the United Kingdom ('UK'), with the requirements of the Companies Act 2006 as applicable to limited liability partnerships ('LLPs') reporting under IAS.

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the financial years presented. The new standards and interpretations adopted during the financial year, as set out below, have not had an impact on the financial statements.

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

The Group continues to demonstrate adaptability and resilience in the current macroeconomic environment, operating effectively, providing ongoing services to clients and meeting new client needs, whilst maintaining a healthy working capital position. The Group continues its period of planned growth, in line with its business plan and underpinned by a number of strategic growth areas, placing the Group in a strong financial position at 30 June 2023, with a high level of liquidity.

In the assessment of going concern, the Executive Board has considered the economic environment in the markets in which the Group operates, including prevailing macroeconomic conditions such as inflation, skills availability and the impact of geopolitical uncertainty on economic growth, and how the position might develop in future. The Executive Board's assessment includes planning appropriate responses for a range of possible scenarios. The central assumption is that, owing to ongoing successful trading activity for the financial year ending 30 June 2024, the Group will maintain the momentum achieved in the prior year with positive net cash balances over the entire period. In the plausible downside scenario considered by the Executive Board, macroeconomic risks accelerate, impacting trading performance in all areas, but most significantly transactions-based services. The Group's financial modelling shows that the position remains manageable in all scenarios with adequate levels of headroom being maintained against available working capital financing facilities even in the downside scenario.

Should the impacts of the uncertainty in the economic environment significantly worsen, management has the option of taking additional measures such as postponing or curtailing spend, including partner distributions, staff bonuses, discretionary spend and investments, and requesting additional capital contributions from members. The Group also maintains an appropriate level of borrowing facilities.

Having regard to all of the above, the Executive Board has, at the time of approving the financial statements, a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus, the going concern basis has been adopted in preparing the consolidated financial statements.

New standards and interpretations adopted in the financial year

During the financial year ended 30 June 2023, the Group adopted Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts – Cost of Fulfilling a Contract, Annual Improvements to IFRSs 2018–2020 cycle, Amendments to IAS 16 'Property, Plant and Equipment' – Proceeds before Intended Use and Amendments to IFRS 3 'Business Combinations' – Reference to the Conceptual Framework. These changes have not had an impact on these financial statements.

New standards and interpretations not yet adopted

There are two new standards that have been published by the International Sustainability Standards Board which will have the most significant impact on the Group in future years. IFRS S1 'General requirements for disclosure of sustainability-related financial information' and IFRS S2 'Climate-related disclosures' fully incorporate the recommendations of the Task Force on Climate-related Financial Disclosures and provide a set of disclosure requirements in respect of the effect of the sustainability-related risks and opportunities entities face over the short, medium and long term. These will become effective for the Group for the accounting period to 30 June 2025, subject to endorsement by the UK Endorsement Board.

Other new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable transactions.

1 Basis of preparation continued

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

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

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

- Revenue recognition (note 2) and the valuation of contract assets (note 14) – assessing the likely engagement outcome and the recoverable value of contract assets where estimation of the stage of contract completion, including the costs still to be incurred, is required. A 5% movement in contract assets would result in a change in revenue of £27m.
- Provisions for claims and regulatory proceedings (note 19) – 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 and end-of-service benefit schemes (note 23) – 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.

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

Consolidation
Subsidiary undertakings are entities over which the Group has control. Control is defined as the power to direct the entity's relevant activities, exposure to variable returns from involvement with the entity and the ability to use this power to affect the amount of the returns. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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. The budgets and forecasts that form the basis for the value in use models used for impairment testing include forecast capital investment and operational impacts related to sustainability initiatives.

Notes to the financial statements continued

2 Revenue

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

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

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

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

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

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

Disaggregation of revenue

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

Line of service	2023 £m	2022 £m
Consulting	1,725	1,324
Audit	1,351	1,133
Tax	1,208	1,015
Deals	962	906
Risk	546	516
	5,792	4,894
Global mobility and immigration services business (note 5)	–	108
	5,792	5,002

The prior financial year revenue of the global mobility and immigration services business related to the financial period from 1 July 2021 to 29 April 2022 when the business was disposed of by the Group.

Notes to the financial statements continued

2 Revenue continued

Disaggregation of revenue continued

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

Industry segment	2023 £m	2022 £m
Financial services	1,983	1,683
Government and health industries	1,083	824
Industrial manufacturing and services	894	832
Consumer markets	751	657
Technology, media and telecommunications	620	527
Energy, utilities and resources	461	371
	5,792	4,894
Global mobility and immigration services business (note 5)	–	108
	5,792	5,002

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

	2023 £m	2022 £m
United Kingdom	4,139	3,773
Middle East	1,565	1,044
Channel Islands	88	77
	5,792	4,894
Global mobility and immigration services business (note 5)	–	108
	5,792	5,002

Assets and liabilities related to contracts with customers

Details of the Group's and the LLP's trade receivables and contract assets are disclosed in note 14 and contract liabilities in note 16.

Unsatisfied long-term contracts

The aggregate amount of the transaction price allocated to fixed-price, long-term contracts that were partially or fully unsatisfied at 30 June was:

	2023 £m	2023 %	2022 £m	2022 %
Within one financial year	120	68	130	71
1–2 financial years	29	22	47	26
2–3 financial years	6	5	5	3
3–4 financial years	3	3	–	–
4–5 financial years	2	2	–	–
	160	100	182	100

In accordance with IFRS 15 'Revenue from Contracts with Customers' ('IFRS 15'), these amounts do not include variable consideration which is constrained. All other contracts with customers are for periods of one year or less, or carried a right to consideration directly aligned to the performance completed to date.

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

3 Staff costs

	Group 2023 £m	Group 2022 £m	LLP 2023 £m	LLP 2022 £m
Salaries	2,411	1,930	119	128
Social security costs	212	180	15	16
Pension costs in respect of defined contribution schemes (note 23)	195	171	20	22
Past service cost in respect of defined benefit schemes (note 23)	3	4	3	4
Current service cost in respect of end-of-service benefit schemes (note 23)	13	10	–	–
	2,834	2,295	157	170

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

The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees before their retirement or providing termination benefits as a result of voluntary severance. During the financial year ended 30 June 2023, the Group recognised £23m (2022: £4m) and the LLP recognised £1m (2022: £2m) of termination benefits within salaries.

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

	Group 2023 Number	Group 2022 Number	LLP 2023 Number	LLP 2022 Number
Client support staff	26,585	24,577	534	625
Practice support staff	6,055	5,634	670	699
	32,640	30,211	1,204	1,324

4 Other operating costs

Depreciation, amortisation and impairment of non-financial assets

	2023 £m	2022 £m
Depreciation of right-of-use assets (note 9)	74	72
Depreciation of property, plant and equipment (note 8)	51	44
Amortisation of other intangible assets (note 10)	7	7
Impairment of goodwill (note 10)	2	3
	134	126

Other operating charges

Other operating charges comprise firmwide overheads including technology and marketing; people-related costs, such as recruitment and training; gains and losses on the disposal of property, plant and equipment, intangible assets and other investments; charges relating to claims and regulatory proceedings; and occupancy costs, including property service charges and lease-related expenditure.

Auditor’s remuneration

Total fees and expenses payable to the auditor, Crowe U.K. LLP, for the financial year ended 30 June 2023 were £0.6m (2022: £0.5m). This comprised audit fees of £0.4m (2022: £0.4m) relating to the LLP and Group consolidation and other service fees of £0.2m (2022: £0.1m) relating to the audit of subsidiary companies and audit-related assurance.

Net impairment (losses) credits on financial assets

	2023 £m	2022 £m
Trade receivables and contract assets (note 14)	(11)	8
Other investments (note 13)	–	(1)
	(11)	7

5 Gain on disposal of business

The gain or loss on disposal of a business is calculated as the difference between the fair value of the consideration received or receivable, including any contingent consideration, and the previous carrying value of the attributable assets and liabilities, reflecting the conditions at the date of the disposal and the attributable terms agreed with the purchaser. Transaction costs incurred in connection with the disposal, such as legal fees, that represent direct incremental costs are also deducted, otherwise they are recognised in the income statement as incurred.

On 1 July 2022, the Group disposed of the investment in a subsidiary undertaking, Regnology TIR UK Ltd. (formerly PwC Tax Information Reporting Limited), which offered specialised tax software for wealth advisors, for consideration of £7m, resulting in a gain on disposal of £4m after adjusting for the derecognition of the carrying value of £3m.

During the prior financial year, on 29 April 2022, the Group disposed of its global mobility and immigration services business to the US private equity firm Clayton, Dubilier & Rice concurrently with other member firms of the PwC global network.

	LLP 2022 £m	Middle East 2022 £m	Group 2022 £m
Non-contingent consideration at fair value	165	10	175
Contingent consideration at fair value	9	–	9
Total consideration	174	10	184
Net assets transferred	(44)	(1)	(45)
Gain on disposal	130	9	139

At 30 June 2022, consideration receivable of £19m for the Group and £9m for the LLP was recognised within other receivables (note 14) and was subsequently recovered by the Group in the financial year ended 30 June 2023.

The disposal resulted in the transfer of approximately 600 staff employed by the Group at completion, together with certain client contracts. Net assets transferred primarily comprised trade receivables and contract assets. The prior financial year revenue of the global mobility and immigration services business, relating to the financial period from 1 July 2021 to 29 April 2022, amounted to £102m for the LLP (financial year ended 30 June 2021: £129m) and £6m for the Middle East (financial year ended 30 June 2021: £6m). The impact of the disposal on the Group's revenues is disclosed in note 2.

6 Finance income and expense

	2023 £m	2022 £m
Finance income		
Interest receivable	27	5
Net interest income on defined benefit schemes (note 23)	13	3
	40	8
Finance expense		
Finance charges on lease liabilities (note 9)	(17)	(18)
Interest payable	(5)	(5)
Unwinding of discount on provisions (note 19)	(4)	(2)
Interest expense on end-of-service benefit schemes (note 23)	(2)	(2)
	(28)	(27)
Net finance income (expense)	12	(19)

7 Tax expense

Income tax payable on the profits of the LLP and other LLPs consolidated within the Group is the personal liability of the individual members of those LLPs, with the only exception being in respect of certain overseas permanent establishments, and consequently is not dealt with in these financial statements.

Certain subsidiary entities and overseas permanent establishments 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 also recognised in other comprehensive income. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The tax expense included within the consolidated income statement comprises:

	2023 £m	2022 £m
Current tax on income of subsidiary entities for the financial year	92	48
Deferred tax movements (note 22)	1	5
Tax expense	93	53

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

	2023 £m	2022 £m
Profit on ordinary activities of corporate subsidiaries and permanent establishments before tax	603	468
Tax expense at UK standard rate of 20.5% (2022: 19%)	124	89
Adjustments to tax charge in respect of prior financial years:		
UK subsidiaries	(2)	(2)
Overseas subsidiaries	1	(17)
Impact of items not deductible for tax purposes	3	–
Effect of different overseas tax rates across the Group	(33)	(17)
	93	53

8 Property, plant and equipment

Group

	Freehold property £m	Leasehold property £m	Fittings, furniture and equipment £m	Total £m
Cost				
At beginning of prior financial year	2	120	306	428
Exchange differences	–	3	6	9
Additions	–	–	52	52
Disposals	–	(2)	(38)	(40)
At end of prior financial year	2	121	326	449
Exchange differences	–	(2)	(2)	(4)
Additions	–	6	51	57
Disposals	–	–	(29)	(29)
At end of financial year	2	125	346	473
Accumulated depreciation/impairment				
At beginning of prior financial year	–	45	181	226
Exchange differences	–	3	5	8
Depreciation charge for the financial year	–	7	37	44
Disposals	–	(2)	(36)	(38)
At end of prior financial year	–	53	187	240
Exchange differences	–	(1)	(1)	(2)
Depreciation charge for the financial year	–	9	42	51
Disposals	–	–	(27)	(27)
At end of financial year	–	61	201	262
Net book amount at end of prior financial year	2	68	139	209
Net book amount at end of financial year	2	64	145	211

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.

There were £1m of capital commitments relating to property, plant and equipment contracted but not provided for at 30 June 2023 in the Group (2022: £3m). There were £13m (2022: £29m) of assets under construction included within fittings, furniture and equipment and none (2022: £10m) within leasehold property. The assets under construction relate principally to the fit-out of office accommodation.

LLP

During the financial year ended 30 June 2023, there were no property, plant or equipment assets or capital commitments within the LLP (2022: nil).

9 Right-of-use assets and lease liabilities

Group

Payments associated with all short-term leases and leases of low-value assets are recognised on a straight-line basis as operating costs in the income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office-related technology equipment.

All other leases are recognised as right-of-use assets and corresponding lease liabilities at the date at which the leased assets are available for use by the Group.

Right-of-use assets are measured initially at cost comprising:

- the amount of the initial measurement of the lease liability;
- any lease payments less lease incentives at or before the lease commencement date;
- any initial direct costs; and
- any restoration costs.

Right-of-use assets and their corresponding lease liabilities are recognised at the date at which the leased assets are available for use by the Group. Subsequently, the right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurements of the lease liability due to reassessments or lease modifications. Right-of-use assets are depreciated over the lease term on a straight-line basis.

Lease liabilities are initially measured at an amount equal to the present value of the expected future lease payments for the underlying right-of-use assets during the lease term. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the relevant incremental borrowing rate. The lease term is a non-cancellable period of the lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated. Where the Group has the option to extend the lease term beyond the non-cancellable period, or of not exercising a termination option, all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option are considered.

Each lease payment is allocated between a repayment of the liability and a finance cost. Lease liabilities are subsequently measured using the effective interest method. The carrying amount of the liability is remeasured to reflect reassessments and lease modifications.

Where the Group is an intermediate lessor and has assessed those leases to be operating leases, it accounts for its interests in the head lease and the sub-lease separately and recognises lease payments received as income on a straight-line basis over the lease term in the income statement. Such leases are not material to the Group.

9 Right-of-use assets and lease liabilities continued

Movements in right-of-use assets during the financial year ended 30 June 2023 were as follows:

	Land and buildings £m	Other assets £m	Total £m
Cost			
At beginning of prior financial year	837	14	851
Exchange differences	9	–	9
Additions	10	7	17
Disposals	(19)	(4)	(23)
At end of prior financial year	837	17	854
Exchange differences	(4)	–	(4)
Additions	17	15	32
Disposals	(6)	(6)	(12)
At end of financial year	844	26	870
Accumulated depreciation/impairment			
At beginning of prior financial year	132	4	136
Exchange differences	5	–	5
Depreciation charge for the financial year	67	5	72
Disposals	(18)	(4)	(22)
At end of prior financial year	186	5	191
Exchange differences	(2)	–	(2)
Depreciation charge for the financial year	67	7	74
Disposals	(6)	(6)	(12)
At end of financial year	245	6	251
Net book amount at end of prior financial year	651	12	663
Net book amount at end of financial year	599	20	619

Movements in lease liabilities during the financial year ended 30 June 2023 were as follows:

	2023 £m	2022 £m
Balance at beginning of financial year	749	792
Exchange differences	(4)	10
Additions	32	17
Finance charges (note 6)	17	18
Payments	(90)	(88)
Balance at end of financial year	704	749

Disclosed as:

	2023 £m	2022 £m
Current	90	83
Non-current	614	666
	704	749

Notes to the financial statements continued

9 Right-of-use assets and lease liabilities continued

The maturity profile at 30 June of the undiscounted future cash flows required to settle these lease liabilities is as follows:

	2023 £m	2022 £m
Within one financial year	95	86
1–2 financial years	88	85
2–3 financial years	80	81
3–4 financial years	77	77
4–5 financial years	75	77
More than five financial years	381	457
	796	863

During the financial year ended 30 June 2023, total cash outflows in respect of leases were £92m (2022: £90m), including £2m (2022: £2m) on short-term leases and leases of low-value assets. The value recognised in the income statement in respect of these short-term leases and leases of low-value assets during the financial year ended 30 June 2023 was £2m (2022: £2m).

LLP

During the financial year ended 30 June 2023, there were no right-of-use assets or lease liabilities held by the LLP (2022: nil).

10 Goodwill and other intangible assets

Group

	Goodwill £m	Computer software £m	Customer relationships £m	Total other intangible assets £m
Cost				
At beginning of prior financial year	91	75	20	95
Exchange differences	4	1	2	3
Additions	8	2	3	5
Disposals	–	(12)	–	(12)
At end of prior financial year	103	66	25	91
Exchange differences	(1)	–	(1)	(1)
Additions	2	4	1	5
Disposals	(3)	(3)	–	(3)
At end of financial year	101	67	25	92
Accumulated amortisation/impairment				
At beginning of prior financial year	19	65	17	82
Exchange differences	–	1	2	3
Amortisation charge for the financial year	–	5	2	7
Impairment charge for the financial year	3	–	–	–
Disposals	–	(12)	–	(12)
At end of prior financial year	22	59	21	80
Exchange differences	–	–	(2)	(2)
Amortisation charge for the financial year	–	4	3	7
Impairment charge for the financial year	2	–	–	–
Disposals	–	(3)	–	(3)
At end of financial year	24	60	22	82
Net book amount at end of prior financial year	81	7	4	11
Net book amount at end of financial year	77	7	3	10

There were no computer software assets under development within other intangible assets in the Group at 30 June 2023 (2022: £1m).

10 Goodwill and other intangible assets continued

LLP

	Goodwill £m	Computer software £m
Cost		
At beginning and end of prior financial year	6	–
Additions	–	4
At end of current financial year	6	4
Accumulated amortisation/impairment		
At beginning and end of prior financial year	–	–
Amortisation charge for the financial year	–	1
At end of current financial year	–	1
Net book amount at end of prior financial year	6	–
Net book amount at end of financial year	6	3

There were no assets under development in the LLP at 30 June 2023 (2022: nil).

Acquisitions and goodwill

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

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

Acquisitions

On 1 April 2023, the Group acquired a 100% interest in People Force Consulting Ltd (subsequently renamed PwC Digital Technology Services Limited), which offers people technology consultancy services. The consideration for this acquisition was £5m, of which £2m is deferred over two years and contingent on certain future services. The fair values of the assets and liabilities recognised on acquisition were liabilities of £0.1m related primarily to acquired trade and other payables. The Group recognised £2m of goodwill in respect of the acquisition, which is attributable to the company's strong market position and the existing workforce, and which cannot be separately recognised as intangible assets. Separately recognised intangible assets of £1m comprise the customer relationships acquired, which are measured at fair value, representing the present value of future profits anticipated from these relationships.

The consolidated income statement for the financial year ended 30 June 2023 includes revenue of £0.5m and losses of £0.7m in respect of the acquired company. Had the acquisition occurred on 1 July 2022, the consolidated revenue and loss for the financial year ended 30 June 2023 would have been £3m and £1m respectively. There were no adjustments required in respect of differences in accounting policies or fair value adjustments in respect of non-current assets, such as intangibles, including consequential tax effects.

Disposals

On 1 July 2022, the Group disposed of the investment in a subsidiary undertaking, Regnology TIR UK Ltd. (formerly PwC Tax Information Reporting Limited). Further details are disclosed in note 5.

Notes to the financial statements continued

10 Goodwill and other intangible assets continued

Impairment reviews

The largest element of goodwill held within the Group is £54m (2022: £55m) 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 two-year financial budgets, together with cash flows for the periods beyond existing budgets that have been extrapolated using a 3% long-term GDP annual regional growth rate (2022: 3%). The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 11% (2022: 11%).

The remaining goodwill represents UK acquisitions and relates primarily to the provision of consulting services. The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 12% (2022: 12%). During the financial year ended 30 June 2023, impairment charges of £2m (2022: £3m) were recognised against this goodwill in relation to businesses acquired in prior financial years, having given consideration to their value in use.

A reasonable change in the key assumptions used in assessing the goodwill for impairment, such as revenue growth, cost base growth and the discount rate, 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.

Software as a service

Software as a service cloud computing arrangements are treated as service contracts and recognised as an expense in the income statement over the contract term unless the Group has both a contractual right to take possession of the software at any time without significant penalty and the ability to run the software independently of the host vendor.

Configuration and customisation costs incurred in a cloud computing arrangement are recognised as an expense in the income statement when the related services are received unless the configuration and customisation costs create a separately identifiable asset and meet the recognition criteria of an intangible asset, in which case they are capitalised as computer software and amortised over the contract term.

11 Investments in subsidiaries

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

When the Group no longer controls a subsidiary undertaking, the subsidiary is deconsolidated.

The gain or loss on disposal of a business is calculated as the difference between the fair value of the consideration received or receivable, including any contingent consideration, and the carrying value of the attributable assets and liabilities, reflecting the conditions at the date of the disposal and the terms agreed with the purchaser. Transaction costs incurred in connection with a disposal, such as legal fees, are recognised in the income statement as incurred.

LLP
Investments in subsidiaries are measured at cost less impairment.

	2023 £m	2022 £m
Shares in subsidiary undertakings		
Cost at beginning and end of financial year	68	68
Accumulated impairment at beginning and end of financial year	11	11
Net book amount at end of prior financial year	57	57
Net book amount at end of financial year	57	57

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

PricewaterhouseCoopers (Middle East Group) Limited is the only subsidiary with a non-controlling interest that is material to the Group. The Group owns 100% of the ordinary shares of PricewaterhouseCoopers (Middle East Group) Limited and the local Middle East partners own I, R and V shares, which provide the partners with certain income access rights. The pre-consolidated reserves of this company and its subsidiaries at 30 June 2023, attributable to non-controlling interests, amounted to a £159m surplus (2022: £135m). At 30 June 2023, local Middle East partners had also provided capital loans totalling £192m (2022: £161m).

From 1 July 2023, the partnership arrangements for local Middle East partners have been revised. These changes will result in a large component of their overall remuneration becoming employment income pursuant to local employment contracts, which will therefore be recognised as staff costs in the consolidated income statement. It is therefore anticipated that the profit allocated to non-controlling interest partners from equity will be lower than payments reported in the current and prior financial years. These changes have not had an impact on the drawings and distributions to the local Middle East partners in the current financial year ended 30 June 2023 or the balance of equity attributable to non-controlling interests at 30 June 2023.

11 Investments in subsidiaries continued

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

Summarised consolidated statement of financial position

	2023 £m	2022 £m
Current		
Assets	903	760
Borrowings	(11)	(16)
Lease liabilities	(14)	(10)
Local partner capital	(8)	(9)
Other liabilities	(356)	(281)
Total current net assets	514	444
Non-current		
Assets	144	148
Borrowings	(16)	(41)
Lease liabilities	(55)	(64)
Local partner capital	(184)	(152)
Other liabilities	(125)	(88)
Retirement benefits	(67)	(58)
Total non-current net liabilities	(303)	(255)
Net assets	211	189
Equity		
Share capital	52	54
Reserves	159	135
Total equity	211	189
Shareholder and local partners' interests		
Share capital	52	54
Local partner capital	192	161
Reserves	159	135
Total shareholder and local partners' interests	403	350

Summarised consolidated income statement

	2023 £m	2022 £m
Revenue	1,604	1,063
Profit before income tax expense	446	342
Income tax expense	(58)	(28)
Other comprehensive expense	(7)	(3)
Total comprehensive income	381	311
Total comprehensive income attributable to members	5	5
Total comprehensive income attributable to non-controlling interests	376	306

11 Investments in subsidiaries continued

Summarised consolidated statement of cash flows

	2023 £m	2022 £m
Cash generated from operations	573	302
Income tax paid	(65)	(38)
Net cash generated from operating activities	508	264
Net cash outflow from investing activities	(32)	(32)
Net cash outflow from financing activities	(402)	(179)
Net increase in cash and cash equivalents	74	53
Foreign-exchange movements	(10)	21
Cash and cash equivalents at beginning of financial year	230	156
Cash and cash equivalents at end of financial year	294	230

12 Interests in joint ventures and associates

	2023 £m	2022 £m
Value at beginning of financial year	3	–
Share of profit	–	5
Distributions received	–	(2)
Value at end of financial year	3	3

The Group's interests in joint ventures 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.

At 30 June 2023, the Group held interests in the following four joint ventures and associates: PricewaterhouseCoopers Mobility Technology Services LLC, a dormant entity which previously offered international mobility services; PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V., a holding company for a delivery centre which provides services to PwC network firms; PwC Poland Services Limited, a holding company for a delivery centre which provides specialised cloud-based solutions and transformational services; and PwC Service Delivery Centre South Africa Holdings Proprietary Limited, a holding company for a delivery centre which provides services to PwC network firms.

All joint ventures and associates are listed in note 27.

13 Other investments

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Reservoir trust restricted assets held at amortised cost	60	60	60	60
Other investments held at amortised cost	31	30	6	6
Other investments held at fair value through profit or loss	13	15	–	2
	104	105	66	68

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

Notes to the financial statements continued

13 Other investments continued

Reservoir trust restricted assets held at amortised cost

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Value at beginning of financial year	60	61	60	61
Other impairment charges recognised in profit and loss	–	(1)	–	(1)
Value at end of financial year	60	60	60	60

During the financial year ended 30 June 2017, the LLP entered into a deed with the trustees of its two defined benefit pension schemes establishing a reservoir trust. Under the terms of the deed, the assets in the reservoir trust are restricted and are reserved to be used to meet any deficit, calculated in accordance with the terms of the deed, in the schemes at 31 March 2026, being the end of the trust term, or earlier if certain triggers are met. The trust assets will only be available to the LLP to the extent that they are not needed to meet any deficit in the schemes at that date. Notwithstanding these conditions, the trust assets do not constitute plan assets under IAS 19 'Employee benefits' and are therefore presented as restricted assets within other investments.

During the financial year ended 30 June 2022, the LLP entered into an additional deed with the trustees of its defined benefit pension schemes to establish a second reservoir trust. The Group has undertaken to contribute up to £58m into this trust in the period from 30 June 2024 to 31 July 2026, dependent on the size of the funding deficit. Under the terms of the deed, the assets in this reservoir trust will also be restricted and reserved to be used to meet any deficit, calculated in accordance with the terms of the deed, in the schemes at certain designated dates being: 31 March 2026, 31 March 2027, 31 March 2028 and 31 March 2029, or earlier if certain triggers are met.

The LLP did not make any contributions into this trust during the financial year ended 30 June 2023 (2022: nil) and it does not expect to be required to do so over the remainder of the trust term.

Reservoir trust restricted assets, primarily comprising United Kingdom gilts, are considered to have a low credit risk and the loss allowance is therefore limited to the 12 month expected credit loss. The Group and the LLP have assessed the expected credit loss on reservoir trust restricted assets and no loss allowance has been recognised in the financial year ended 30 June 2023 (2022: nil). No other impairment charges were recognised in the financial year ended 30 June 2023 (2022: £1m).

Other investments held at amortised cost

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Value at beginning of financial year	30	30	6	6
Additions	14	–	–	–
Redemption of investments	(13)	(2)	–	–
Foreign-exchange movements recognised in profit or loss	–	2	–	–
Value at end of financial year	31	30	6	6

During the financial year ended 30 June 2023, the Group invested in £14m (2022: nil) and benefited from the redemption of £13m (2022: £1m) of repayable interest-bearing subordinated loan notes issued by an entity in the PwC global network. At 30 June 2023, the Group's total investment in repayable interest-bearing subordinated loan notes from entities in the PwC global network, after foreign-exchange movements, was £21m (2022: £21m), which is primarily denominated in US dollars with £7m in euros (2022: £7m). At 30 June 2023, the LLP held £6m (2022: £6m) of these loans, denominated in euros.

During the prior financial year ended 30 June 2022, the Group also received a £1m redemption of repayable interest-bearing preference shares issued by PwC Poland Services Limited, a joint venture entity (see note 12). At 30 June 2023, the Group's total investment in these preference shares, after foreign-exchange movements, was £10m (2022: £9m), denominated in euros.

The amortised cost of repayable interest-bearing subordinated loan notes and preference shares are calculated as the present value of the expected future cash flows from these instruments, discounted at a market-related rate of interest.

The repayable interest-bearing subordinated loan notes and preference shares are considered to have a low credit risk and the loss allowance is therefore limited to the 12 month expected credit loss. The Group and the LLP have assessed the expected credit loss on these assets and no loss allowance has been recognised in the financial year ended 30 June 2023 (2022: nil).

13 Other investments continued

Other investments held at fair value through profit or loss

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Value at beginning of financial year	15	4	2	3
Additions	–	12	–	–
Disposals	–	(1)	–	(1)
Redemption of investments	(2)	–	(2)	–
Value at end of financial year	13	15	–	2

During the financial year ended 30 June 2023, the Group and the LLP benefited from the redemption of £2m (2022: nil) of equity investments in entities in the PwC global network. During the prior financial year ended 30 June 2022, the LLP also disposed of £1m of equity investments. At 30 June 2023, the Group continued to hold equity investments in entities in the PwC global network of £1m (2022: £3m).

During the prior financial year ended 30 June 2022, the Group invested £12m in preference shares issued by the PwC Central and Eastern European firm. At 30 June 2023, the carrying value of these shares was £12m (2022: £12m), denominated in US dollars. Subsequent to the financial year end, on 3 July 2023, these preference shares were redeemed in full with no profit or loss recognised on redemption.

The fair values of investments in entities in the PwC global network have been determined using the dividend discount model. The key assumption used is the discount rate applied against anticipated future returns. A reasonable change in the key assumption used in assessing the fair values would not have had a significant impact on the carrying value.

14 Trade and other receivables

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Client receivables	991	881	572	524
Due from PwC network firms	96	110	69	105
Trade receivables	1,087	991	641	629
Contract assets	544	475	374	325
Trade receivables and contract assets	1,631	1,466	1,015	954
Amounts due from subsidiary undertakings	–	–	5	11
Other receivables	60	60	41	31
Prepayments	68	54	3	4
	1,759	1,580	1,064	1,000

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

Contract assets are reclassified as trade receivables when billed to clients and the consideration has become unconditional because only the passage of time is required before payment is due.

During the prior financial year ended 30 June 2022, other receivables included consideration of £19m for the Group and £9m for the LLP related to the disposal of the global mobility and immigration services business. Further details are disclosed in note 5.

Notes to the financial statements continued

14 Trade and other receivables continued

The expected loss rates for trade receivables and contract assets, as presented below, are based on the payment profile and the shared credit risk characteristics arising in the different regions and industries in which the Group operates, including assessments incorporating forward-looking information based on client industries and financial position.

		30 days or less	31 to 90 days	91 to 180 days	181 to 270 days	271 to 365 days	More than 365 days
United Kingdom and Channel Islands	Current financial year	0.1%	0.4%	1.9%	7.1%	22.5%	65.4%
	Prior financial year	0.1%	0.4%	1.8%	6.9%	24.0%	70.6%
Middle East	Current financial year	0.8%	1.2%	3.6%	11.3%	22.1%	75.9%
	Prior financial year	1.0%	1.7%	4.2%	11.9%	25.7%	67.4%

The ageing of trade receivables and contract assets and the resulting provisions are presented below:

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
30 days or less	582	499	402	402
31 to 90 days	325	332	170	172
91 to 180 days	136	116	55	47
181 to 270 days	42	32	15	12
271 to 365 days	10	17	4	2
More than 365 days	26	35	5	6
Gross trade receivables	1,121	1,031	651	641
Gross contract assets	546	477	374	325
	1,667	1,508	1,025	966
Expected credit losses	(33)	(37)	(7)	(9)
Other impairment provisions	(3)	(5)	(3)	(3)
	(36)	(42)	(10)	(12)
Trade receivables and contract assets	1,631	1,466	1,015	954

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

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Balance at beginning of financial year	(42)	(59)	(12)	(16)
Income statement:				
Charge for the financial year	(31)	(31)	(12)	(12)
Released unused during the financial year	20	39	10	11
Exchange differences	1	(4)	–	–
Utilised during the financial year	16	13	4	5
Balance at end of financial year	(36)	(42)	(10)	(12)

Amounts due from subsidiary undertakings are considered to have a low credit risk and the loss allowance is therefore limited to the 12 month expected credit loss. The LLP has assessed the expected credit loss on these assets and no loss allowance has been recognised in the financial year ended 30 June 2023 (2022: nil).

The other classes of assets within trade and other receivables do not contain impaired assets.

The carrying value of trade and other receivables in the Group and the LLP is consistent with fair value in the current and prior financial years.

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.

15 Cash and cash equivalents

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Cash at bank and in hand	255	249	9	9
Short-term deposits	818	879	712	806
Total cash and cash equivalents	1,073	1,128	721	815

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.

Bank overdrafts are classified within borrowings, in current liabilities, in the statement of financial position. There were no bank overdrafts at 30 June 2023 (2022: nil).

16 Trade and other payables

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade payables	198	158	–	–
Amounts owed to subsidiary undertakings	–	–	873	699
Social security and other taxes	184	148	7	10
Other payables	56	55	39	35
Accruals	497	468	55	41
Contract liabilities	248	224	151	164
	1,183	1,053	1,125	949

Trade and other payables are measured at amortised cost.

During the financial year ended 30 June 2023, £209m of the Group's £224m and £146m of the LLP's £164m recorded contract liabilities at 30 June 2022 were recognised as revenue. During the prior financial year ended 30 June 2022, £182m of the Group's £206m and £126m of the LLP's £144m recorded contract liabilities at 30 June 2021 were recognised as revenue.

Due to the short maturity of trade and other payables in the Group and the LLP, the carrying value is consistent with fair value in the current and prior financial year. Group current trade payables include amounts owing to PwC network firms totalling £139m (2022: £122m).

17 Borrowings

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Current	11	16	–	–
Non-current	16	41	–	–
	27	57	–	–

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

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

17 Borrowings continued

The Group's borrowings at 30 June 2023 and 30 June 2022 were unsecured and denominated in US dollars. Borrowings are subject to floating interest rates, partially swapped to a fixed rate through the use of interest rate swap agreements, and are repayable within four financial years.

The Group has complied with the financial covenants of its borrowing facilities during the current and prior financial years.

The carrying values of borrowings approximate their fair value.

Further details of the Group's exposure to financial risks arising from borrowings are set out in note 25.

18 Liabilities arising from financing activities

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

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Bank borrowings (note 17)	27	57	–	–
Lease liabilities (note 9)	704	749	–	–
Members' capital (note 20)	286	274	286	274
Other liabilities (note 21)	195	164	–	–
	1,212	1,244	286	274

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

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Non-cash flows from financing activities				
Interest payable	5	5	–	–
Finance charges on lease liabilities	17	18	–	–
Divided profit	1,281	1,097	945	893
Recognition of new lease liabilities in the financial year	32	17	–	–
Exchange differences	(9)	35	–	–
	1,326	1,172	945	893
Cash flows from financing activities				
Repayment of borrowings	(28)	(16)	–	–
Lease liabilities:				
Finance charges on lease liabilities	(17)	(18)	–	–
Principal payments of lease liabilities	(73)	(70)	–	–
Interest paid	(5)	(5)	–	–
Capital contributions by members	33	28	33	28
Capital repayments to members	(21)	(24)	(21)	(24)
Payments to members	(945)	(893)	(945)	(893)
Capital contributions by non-controlling interest partners	97	65	–	–
Capital repayments to non-controlling interest partners	(63)	(40)	–	–
Payments to non-controlling interests	(336)	(204)	–	–
	(1,358)	(1,177)	(933)	(889)
Net (decrease) increase in liabilities arising from financing activities	(32)	(5)	12	4
Liabilities arising from financing activities at beginning of financial year	1,244	1,249	274	270
Liabilities arising from financing activities at end of financial year	1,212	1,244	286	274

19 Provisions and contingent liabilities

Group

	Annuities £m	Property £m	Claims and regulatory proceedings £m	Total £m
Balance at beginning of prior financial year	45	21	55	121
Exchange differences	5	–	–	5
Income statement:				
Charge for the financial year	12	2	36	50
Released unused during the financial year	–	–	(4)	(4)
Unwinding of discount	2	–	–	2
Transfer to accruals	–	(3)	(2)	(5)
Cash payments	(2)	(2)	(18)	(22)
Balance at end of prior financial year	62	18	67	147
Exchange differences	(5)	–	–	(5)
Income statement:				
Charge for the financial year	43	1	30	74
Released unused during the financial year	–	–	(21)	(21)
Unwinding of discount	4	–	–	4
Transfer to accruals	–	–	(8)	(8)
Cash payments	(3)	(1)	(33)	(37)
Balance at end of financial year	101	18	35	154

LLP

	Claims and regulatory proceedings £m
Balance at beginning of prior financial year	53
Income statement:	
Charge for the financial year	36
Released unused during the financial year	(4)
Transfer to accruals	(2)
Cash payments	(18)
Balance at end of prior financial year	65
Income statement:	
Charge for the financial year	30
Released unused during the financial year	(21)
Transfer to accruals	(8)
Cash payments	(33)
Balance at end of financial year	33

19 Provisions and contingent liabilities continued

Disclosed as:

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Current	2	1	–	–
Non-current	152	146	33	65
	154	147	33	65

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 partners in those undertakings, principally in relation to the Middle East. These annuities are unfunded. The provision reflects the present value of the obligations arising from service to date. Any changes in the provision for these annuities arising from changes in entitlements, financial estimates or actuarial assumptions are recognised in the income statement. The unwinding of the discount is presented in the income statement as a finance expense. When the entitled individuals retire and their annuities come into payment, these payments are shown as a movement against the provision.

The principal actuarial assumptions used in calculating the annuities provision are an assumed retirement age of 57 (2022: 57), discount rates of 5.3% for US dollar denominated annuities (2022: 4.4% for US dollar denominated), and inflation rates of 2.3% for US dollar denominated annuities (2022: 2.3% for US dollar denominated). The annuities provision is expected to unwind over 25 years.

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

Property

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

Property provisions at 30 June 2023 and 30 June 2022 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 4.9% (2022: 3.0%). The property provisions are expected to unwind over 25 years.

The onerous provision covers the estimated unavoidable non-rental costs of leased properties, including service charges, up to the end of the lease term.

Claims and regulatory proceedings

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

19 Provisions and contingent liabilities continued

Contingent liabilities

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

Financial guarantee contracts are initially recognised at fair value, which is calculated as the present value of the difference between the net contractual cash flows required under the debt instrument being guaranteed, and the net contractual cash flows that would have been required without the guarantee. Financial guarantees are subsequently measured at the higher of their initial fair value less cumulative amortisation, and the best estimate of the loss allowance determined in accordance with the expected credit loss model. The carrying value of the financial guarantees disclosed below is nil (2022: nil).

The Group has entered into US $120m (2022: US $88m) of guarantees with third-party banks in connection with professional services work performed in foreign territories, predominantly in the Middle East.

The LLP previously provided a US $8m loan guarantee with a third-party bank in connection with a loan to an entity in the PwC global network, which was cancelled on 23 June 2023. The Group has also entered into, subject to certain conditions, other cross guarantees and indemnities in respect of other entities in the PwC global network, which are considered remote and therefore not disclosed.

The LLP has provided guarantees in respect of the future lease commitments of PricewaterhouseCoopers Services Limited, a subsidiary company, totalling £433m over the remaining lease terms (2022: £479m). The majority of these commitments relate to the office premises at 7 More London and 1 Embankment Place. The LLP also guarantees the bank borrowings of PricewaterhouseCoopers Services Limited. At 30 June 2023, PricewaterhouseCoopers Services Limited had no bank borrowings (2022: nil).

20 Members' capital

	Group and LLP £m
Balance at beginning of prior financial year	270
Contributions by members	28
Repayments to members	(24)
Balance at end of prior financial year	274
Contributions by members	33
Repayments to members	(21)
Balance at end of financial year	286

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

	Group and LLP 2023 £m	Group and LLP 2022 £m
Current	9	12
Non-current	277	262
	286	274

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

Members' capital contributions are determined by the Executive Board, with the approval of the Supervisory Board, having regard to the working capital needs of the business. Individual member's capital contributions are set by reference to equity unit profit share proportions and are not repayable until the member retires. Members are required to provide up to 12 months' notice of retirement.

21 Other liabilities

	Group		LLP	
	2023 £m	2022 £m	2023 £m	2022 £m
Current	8	9	–	–
Non-current	187	155	–	–
	195	164	–	–

The Group's other liabilities 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 12 months' notice of retirement.

These other liabilities are classified as financial liabilities. The carrying value of members' capital is consistent with its fair value in the current and prior financial year.

There were no other liabilities in the LLP for the financial years ended 30 June 2023 and 30 June 2022.

22 Deferred tax

The movements in the Group's net deferred tax asset/(liability) balances during the financial year were as follows:

	2023 £m	2022 £m
Balance at beginning of financial year	(8)	(3)
Credited to the income statement	1	2
Charged to the income statement	(2)	(7)
Balance at end of financial year	(9)	(8)

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 are only provided for to the extent that it is probable that they will reverse in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset related current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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 assets in the current and prior financial year are calculated using a tax rate of 19% for the period to 31 March 2023 and 25% thereafter (2022: 19% for the period to 31 March 2023 and 25% thereafter). Deferred tax liabilities in the current and prior financial year are calculated using the rates prevailing in the relevant jurisdictions.

At 30 June 2023, deferred tax assets primarily comprised accumulated tax losses and temporary differences between capital allowances and depreciation. Deferred tax liabilities primarily comprised other temporary timing differences.

Disclosed as:

	2023 £m	2022 £m
Deferred tax assets	12	11
Deferred tax liabilities	(21)	(19)
	(9)	(8)

At 30 June 2023, the Group had cumulative unrecognised tax losses of £23m (2022: £27m). 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.

There was no deferred tax arising in the LLP for the financial years ended 30 June 2023 and 30 June 2022.

23 Retirement benefits

Defined contribution schemes

The Group's contributions to defined contribution schemes are charged to the consolidated income statement as they fall due. Costs of £195m (2022: £171m) were recognised by the Group and £20m (2022: £22m) by the LLP in respect of these schemes.

Defined benefit schemes

The Group's two defined benefit schemes in the United Kingdom are the PwC Pension Fund ('the Fund') and the DH&S Retirement and Death Benefits Plan ('the Plan'). Both of the Group's defined benefit scheme arrangements are closed to future service accrual, although certain current employee member benefits remain linked to final salary. Both schemes are funded and their assets are held separately from those of the Group. The liabilities arising in the defined benefit schemes have been assessed for accounting purposes using the projected unit credit method and 31 March 2020 individual member data, with allowance for transfers out since this date, rolled forward to the reporting date.

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

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

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

Assumptions

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

	2023	2022	2021
Discount rate	5.2%	3.8%	1.8%
Inflation (RPI)	3.3%	3.3%	3.2%
Inflation (CPI)	2.8%	2.7%	2.6%
Expected rate of increase in salaries	2.4%	2.4%	2.3%
Expected average rate of increase in pensions in payment	2.6%	2.5%	2.5%

The majority of liabilities for the Fund and the Plan are indexed on an RPI basis, while further increases to deferred member pensions before retirement primarily increase based on CPI, with all subject to annual caps and floors. The salary increase assumption applied to pre-2003 benefits only for in-service deferred members and is not significant to these financial statements.

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:

			2023			2022
	Fund obligation increase £m	Plan obligation increase £m	Total obligation increase £m	Fund obligation increase £m	Plan obligation increase £m	Total obligation increase £m
0.5% decrease to discount rate	61	34	95	83	48	131
0.5% increase to salary increases	1	–	1	1	1	2
0.5% increase to inflation	30	17	47	39	23	62
One year increase to life expectancy	33	20	53	36	23	59

23 Retirement benefits continued

Defined benefit schemes continued

Sensitivity analysis continued

The figures at 30 June 2023 used in these financial statements assume that the mortality of the schemes' members will be in line with nationally published S3PA mortality tables (mid tables for females), adjusted to reflect the longer life expectancy of the schemes' members versus the standard table by a 93% scaling factor for males and 94% for females. Future improvements are assumed to be in line with Continuous Mortality Investigation ('CMI') 2021 projections, with a 1.25% long-term rate, a smoothing parameter of 7.0, an initial addition to mortality improvements of 0.5% p.a., a w2020 parameter of 20% and a w2021 parameter of 0%.

The following table illustrates the life expectancy for a current pensioner member aged 65 at 30 June and a future pensioner member aged 45 at 30 June:

	2023		2022	
	Fund Years	Plan Years	Fund Years	Plan Years
Life expectancy of current pensioners at age 65:				
Male	22.6	22.6	22.6	22.6
Female	24.4	24.4	24.4	24.4
Life expectancy of future pensioners at age 65:				
Male	23.9	23.9	23.9	23.9
Female	25.9	25.9	25.9	25.9

Income statement

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

	2023			2022		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Net interest income (note 6)	8	5	13	2	1	3
Past service cost (note 3)	(3)	–	(3)	(4)	–	(4)
	5	5	10	(2)	1	(1)

Pensions accrued prior to 6 April 1997 are not required by statute to increase in payment and most such pensions in the Fund have no entitlement to increases. During the financial year ended 30 June 2023, the LLP's management chose to apply a 2.5% increase to this element of pension for all applicable pensioners in the Fund. The impact of this discretionary increase is £3m on an IAS 19 basis as at the date of application, which has been recognised as a past service cost in the consolidated income statement.

Notes to the financial statements continued

23 Retirement benefits continued

Defined benefit schemes continued

Scheme assets and defined benefit obligations

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

	Fund			Plan			
	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 financial year	1,813	(1,718)	95	1,006	(940)	66	161
Interest income / (expense)	32	(30)	2	18	(17)	1	3
Past service cost	–	(4)	(4)	–	–	–	(4)
Recognised in the income statement	32	(34)	(2)	18	(17)	1	(1)
Remeasurements:							
Return on plan assets excluding amounts included in net interest	(326)	–	(326)	(178)	–	(178)	(504)
Changes in financial assumptions	–	391	391	–	225	225	616
Changes in demographic assumptions	–	14	14	–	9	9	23
Experience adjustments on defined benefit obligation	–	(4)	(4)	–	(7)	(7)	(11)
Recognised as other comprehensive (expense) income	(326)	401	75	(178)	227	49	124
Contributions by employer	27	–	27	7	–	7	34
Benefits paid	(68)	68	–	(32)	32	–	–
Fair value at end of prior financial year	1,478	(1,283)	195	821	(698)	123	318
Interest income (expense)	55	(47)	8	30	(25)	5	13
Past service cost	–	(3)	(3)	–	–	–	(3)
Recognised in the income statement	55	(50)	5	30	(25)	5	10
Remeasurements:							
Return on plan assets excluding amounts included in net interest	(290)	–	(290)	(164)	–	(164)	(454)
Changes in financial assumptions	–	206	206	–	115	115	321
Changes in demographic assumptions	–	5	5	–	3	3	8
Experience adjustments on defined benefit obligation	–	(54)	(54)	–	(30)	(30)	(84)
Recognised as other comprehensive (expense) income	(290)	157	(133)	(164)	88	(76)	(209)
Contributions by employer	26	–	26	8	–	8	34
Benefits paid	(60)	60	–	(29)	29	–	–
Fair value at end of financial year	1,209	(1,116)	93	666	(606)	60	153

23 Retirement benefits continued

Defined benefit schemes continued

Scheme assets and defined benefit obligations continued

Contributions paid during the financial year ended 30 June 2023 included £25m (2022: £26m) of deficit reduction contributions, £5m in respect of the discretionary pension increase (2022: £4m), a £1m dividend from the reservoir trust (2022: £1m) and £3m (2022: £3m) of other funding costs.

The LLP has entered into agreements with the schemes' trustees to establish two reservoir trusts. The LLP did not make any contributions during the financial year ended 30 June 2023 (2022: nil) and it does not expect to be required to do so over the remainder of the trust term. Further details are provided in note 13.

The actual return on scheme assets during the financial year ended 30 June 2023 was a decrease of £369m (2022: £454m).

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

			2023			2022
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Bonds	641	332	973	872	468	1,340
Gilts	290	257	547	428	264	692
Cash	252	65	317	140	87	227
Multi-asset/hedge funds	56	34	90	101	37	138
Derivative financial instruments	(30)	(22)	(52)	(63)	(35)	(98)
Total scheme assets	1,209	666	1,875	1,478	821	2,299
Defined benefit obligations	(1,116)	(606)	(1,722)	(1,283)	(698)	(1,981)
Net retirement benefit assets	93	60	153	195	123	318

Both the Fund and the Plan have significant liability driven investments ('LDIs'), 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 (the latest of which was completed by Mercer Ltd). The most recent finalised full actuarial valuations for both the Fund and the Plan were at 31 March 2020. These valuations were conducted under the Scheme Funding Regulations (Pensions Act 2004) and indicated a combined deficit of £315m at that time on the technical provisions basis.

In agreement with the schemes' trustees, the Group has agreed to continue making deficit reduction payments of £25m per annum over the period from 1 April 2017 to 31 March 2024. The Group currently expects to contribute £19m in the financial year ending 30 June 2024. As described in note 13, the Group has also undertaken to contribute up to £58m in the period from 30 June 2024 to 31 July 2026 into a second reservoir trust arrangement, subject to certain conditions being met.

The next full actuarial valuation is currently being carried out with an effective date of 31 March 2023, by Aon Solutions UK Limited.

End-of-service benefit schemes

The Group's end-of-service benefits are for employees in the Middle East, as required by labour laws in certain Middle Eastern countries. The value of these benefits is primarily based on cumulative periods of service and the level of employees' final basic salaries. The end-of-service benefits are unfunded. The liabilities have been assessed for accounting purposes using the projected unit credit method and individual member data at the reporting date.

The liability recognised in the consolidated statement of financial position is the present value of the defined benefit obligation calculated at the end of the reporting period in accordance with IAS 19. Estimated future cash outflows are discounted at rates reflecting the market yield of high quality corporate bonds denominated in the currency in which the benefits will be paid and having terms approximating the estimated term of the retirement benefit obligations at the end of the reporting 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 end-of-service benefit schemes are recognised in the consolidated income statement.

23 Retirement benefits continued

End-of-service benefit schemes continued

Assumptions

	United Arab Emirates	Kingdom of Saudi Arabia	Oman	Qatar	Kuwait
2023					
Discount rate	5.9%	6.2%	11.4%	6.2%	6.5%
Expected rate of increase in salaries	5.9%	6.2%	11.4%	6.2%	6.5%
2022					
Discount rate	4.8%	3.9%	7.9%	5.1%	5.3%
Expected rate of increase in salaries	4.8%	3.9%	7.9%	5.1%	5.3%

Sensitivity analysis

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

	2023 Total obligation increase £m	2022 Total obligation increase £m
0.5% decrease to discount rate	4	2
0.5% increase to salary increases	4	2
One year increase to life expectancy	–	–

The figures at 30 June 2023 used in these financial statements assume that the mortality of the schemes' members will be in line with the published Canadian Pensioners' Mortality ('CPM') 1999 mortality table, with improvement factors as per CPM scale B (2000–2030). The valuation would not be materially affected by using a different table with similar rates of mortality.

End-of-service benefit obligations

The amounts recognised in the Group's statement of financial position and the analysis of the movement in the end-of-service benefit obligations is as follows:

	£m
Fair value at beginning of prior financial year	45
Exchange differences	5
Recognised in the income statement:	
Current service cost	10
Interest expense	2
Recognised as other comprehensive expense	6
Benefits paid	(10)
Fair value at end of prior financial year	58
Exchange differences	(3)
Recognised in the income statement:	
Current service cost	13
Interest expense	2
Recognised as other comprehensive expense	10
Benefits paid	(13)
Fair value at end of financial year	67

Remeasurements of retirement benefits

	2023 £m	2022 £m
Defined benefit schemes	(209)	124
End-of-service benefit obligations	(10)	(6)
Recognised in other comprehensive income (expense)	(219)	118

24 Total members' interests

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

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

Group

	Members' interests				Non-controlling interests	
	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m	Reserves £m	Amounts due to (from) non-controlling interests £m
Balance at beginning of prior financial year	270	912	–	1,182	26	–
Profit for the financial year available for division among members	–	1,213	–	1,213	322	–
	270	2,125	–	2,395	348	–
Divided profit	–	(893)	893	–	(204)	204
Movement on cash flow hedges	–	2	–	2	3	–
Remeasurements of retirement benefits	–	124	–	124	(6)	–
Translation of foreign operations	–	–	–	–	33	–
Contributions by members	28	–	–	28	–	–
Repayments to members	(24)	–	–	(24)	–	–
Drawings and distributions	–	–	(893)	(893)	–	(204)
Balance at end of prior financial year	274	1,358	–	1,632	174	–
Profit for the financial year available for division among members	–	934	–	934	391	–
	274	2,292	–	2,566	565	–
Divided profit	–	(945)	945	–	(336)	336
Movement on cash flow hedges	–	(2)	–	(2)	1	–
Remeasurements of retirement benefits	–	(209)	–	(209)	(10)	–
Translation of foreign operations	–	–	–	–	(24)	–
Contributions by members	33	–	–	33	–	–
Repayments to members	(21)	–	–	(21)	–	–
Drawings and distributions	–	–	(945)	(945)	–	(336)
Balance at end of financial year	286	1,136	–	1,422	196	–

24 Total members' interests continued

LLP

	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m
Balance at beginning of prior financial year	270	610	–	880
Profit for the financial year available for division among members	–	1,135	–	1,135
	270	1,745	–	2,015
Divided profit	–	(893)	893	–
Remeasurements of retirement benefits	–	124	–	124
Contributions by members	28	–	–	28
Repayments to members	(24)	–	–	(24)
Drawings and distributions	–	–	(893)	(893)
Balance at end of prior financial year	274	976	–	1,250
Profit for the financial year available for division among members	–	801	–	801
	274	1,777	–	2,051
Divided profit	–	(945)	945	–
Remeasurements of retirement benefits	–	(209)	–	(209)
Contributions by members	33	–	–	33
Repayments to members	(21)	–	–	(21)
Drawings and distributions	–	–	(945)	(945)
Balance at end of financial year	286	623	–	909

25 Financial instruments

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

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

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

Financial risk management and management of capital

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

- Other investments (note 13) – investments held at amortised cost, comprising reservoir trust restricted assets, subordinated loan notes and preference shares from entities in the PwC global network; and investments held at fair value through profit or loss, comprising equity holdings in entities in the PwC global network.
- Trade and other receivables (note 14) – primarily trade receivables, in respect of services provided to clients, for which payment has not yet been received.

25 Financial instruments continued

Financial risk management and management of capital continued

- Cash and cash equivalents (note 15) – 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 16) – primarily trade payables and accruals in respect of services received from suppliers, including amounts owing to PwC network firms.
- Borrowings (note 17) – primarily amounts drawn down under the Group's facility arrangements.
- Lease liabilities (note 9) – the present value of the Group's expected future lease payments for the underlying right-of-use assets during the lease term.
- Provisions (note 19) – comprising the Group's annuity obligations.
- Members' capital (note 20) – the Group requires members to provide long-term financing, which is classified as a liability.
- Other liabilities (note 21) – comprising capital loans provided by non-controlling interest partners in subsidiary undertakings consolidated into the Group, primarily in relation to the Middle East.

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

When measuring the fair value of an asset or liability, the Group uses observable inputs, including quoted prices in active markets for identical assets and liabilities, where possible. The fair values of all derivatives are based on observable inputs other than quoted prices in active markets. The other investments (note 13) include £13m (2022: £15m) of certain equity investments in entities in the PwC global network classified as fair value through profit or loss. These investments are measured using inputs that are not based on observable market data, such as internal models or other valuation methods. The measurement bases are consistent in the current and prior financial year.

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

Group financial assets and liabilities by category

	2023			2022		
	Fair value through profit or loss £m	Derivatives used for hedging £m	Amortised cost £m	Fair value through profit or loss £m	Derivatives used for hedging £m	Amortised cost £m
Assets						
Other investments	13	–	91	15	–	90
Trade and other receivables	–	–	1,147	–	–	1,050
Cash and cash equivalents	–	–	1,073	–	–	1,128
Liabilities						
Trade and other payables	–	–	(747)	–	–	(677)
Borrowings	–	–	(27)	–	–	(57)
Lease liabilities	–	–	(704)	–	–	(749)
Provisions	–	–	(101)	–	–	(62)
Members' capital	–	–	(286)	–	–	(274)
Other liabilities	–	–	(195)	–	–	(164)
Derivative financial instruments						
Cash flow hedges	–	1	–	–	2	–
	13	1	251	15	2	285

25 Financial instruments continued

LLP financial assets and liabilities by category

	2023		2022	
	Fair value through profit or loss £m	Amortised cost £m	Fair value through profit or loss £m	Amortised cost £m
Assets				
Other investments	–	66	2	66
Trade and other receivables	–	687	–	670
Cash and cash equivalents	–	721	–	815
Liabilities				
Trade and other payables	–	(963)	–	(771)
Members' capital	–	(286)	–	(274)
	–	225	2	506

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 2023, totalling £806m (2022: £760m), were predominantly held with eleven (2022: ten) leading international banks, with £213m of facilities due to expire within one financial year, £168m between one and three financial years, and £425m within five financial years. It is expected that the Group's UK facilities of £90m expiring within one financial year are expected to be renewed, on satisfactory terms, for a further full year. At 30 June 2023, outstanding borrowings of £27m related solely to amounts drawn down in the financial year ended 30 June 2020 by PricewaterhouseCoopers (Middle East Group) Limited and its subsidiaries, with £11m due within one year and £16m between one and two years. The Group did not make any further draw-downs on its facilities during the years ended 30 June 2022 and 30 June 2023.

Credit risk

Cash deposits and other financial instruments held with banks and other financial institutions give rise to counterparty risk. The Group manages this risk by reviewing counterparties' credit ratings regularly and limiting the aggregate amount and duration of exposure to any one counterparty, taking into account criteria such as credit rating, market capitalisation and relative credit default swap price. The minimum long-term credit rating of all banks and financial institutions who held the Group's short-term deposits during the financial year ended 30 June 2023 was BBB+.

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

Interest rate risk

Interest Rate Benchmark Reform has resulted in the withdrawal of London Interbank Offered Rate as a benchmark rate from 31 December 2021. The Group's borrowings and any surplus cash balances which are held at variable interest rates have been updated to reference alternative benchmark rates linked to Sterling Overnight Index Average ('SONIA') for sterling denominated instruments or US Secured Overnight Financing Rate ('SOFR') for US dollar denominated instruments. The transition has not had an impact on the pre-tax profits or derivative financial instruments of the Group.

A portion of the Group's recurring borrowings, arising primarily from the operations of PricewaterhouseCoopers (Middle East Group) Limited and its subsidiaries, are partially swapped to a fixed rate through the use of interest rate swap agreements and were also not impacted by the transition. The durations of the swap agreements match the duration of the debt instruments payable. The majority of the Group's long-term borrowings are subject to fixed US dollar interest rates after applying the impact of these hedging instruments. Outstanding borrowings at 30 June 2023 are denominated in US dollars, reflecting the composition of the Group's assets that are funded by the borrowings. A movement of 50 basis points in the interest rate on borrowings and surplus cash balances through the financial year would not have had a material 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 11 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 global network firms. The Group seeks to minimise its exposure to fluctuations in exchange rates by hedging against foreign currency exposures. These hedges are designated as cash flow hedges where this is deemed necessary and the relevant criteria are met. The Group's policy is to enter into appropriate forward or derivative transactions after a net economic exposure has been identified.

Derivative financial instruments

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

Foreign-exchange derivative contracts all mature in less than two years and are valued using market prices prevailing at the reporting date. Foreign currency forwards and options are denominated in the same currency as the highly probable future payments, therefore achieving a hedge ratio of 1:1. There was no ineffective portion recognised in the income statement for the financial year ended 30 June 2023 (2022: nil) in respect of these foreign-exchange derivative contracts and the effective portion of cash flow hedges recognised as other comprehensive income for the financial year ended 30 June 2023 was £2m (2022: £2m). There were no foreign-exchange derivative contracts at 30 June 2023 (2022: £2m asset) and the notional principal amount of foreign-exchange derivative contracts at 30 June 2023 was £97m (2022: £82m).

Interest rate swaps mature in the financial year ending 30 June 2024 and have been valued using the interest rates prevailing at the reporting date. The durations of the swap agreements match the duration of the debt instruments, therefore achieving a hedge ratio of 1:1. There was no ineffective portion recognised in the income statement for the financial year ended 30 June 2023 (2022: nil) and the effective portion of cash flow hedges recognised as other comprehensive income for the financial year ended 30 June 2023 was £1m (2022: £3m). The carrying value of interest rate swaps at 30 June 2023 was £1m asset (2022: nil) and the notional principal amount of interest rate swap derivative contracts at 30 June 2023 was £39m (2022: £41m).

Interest rate profile of financial assets and liabilities

Group short-term deposits with banks of £818m (2022: £879m) and Group borrowings of £27m (2022: £57m) were subject to floating interest rates. LLP short-term deposits with banks of £711m (2022: £806m) were also subject to floating interest rates. Group investments include floating rate subordinated loan notes of £21m (2022: £21m) and fixed rate preference shares of £10m (2022: £9m). LLP investments include floating rate subordinated loan notes of £6m (2022: £6m).

Notes to the financial statements continued

25 Financial instruments continued

Currency profile of financial assets and liabilities
Group

	2023				2022			
	Sterling £m	US dollar/ US dollar linked £m	Euro £m	Other £m	Sterling £m	US dollar/ US dollar linked £m	Euro £m	Other £m
Assets								
Other investments	12	26	66	–	60	28	17	–
Trade and other receivables	615	485	35	12	557	437	41	15
Cash and cash equivalents	776	296	1	–	897	231	–	–
Liabilities								
Trade and other payables	(477)	(227)	(34)	(9)	(441)	(203)	(25)	(8)
Borrowings	–	(27)	–	–	–	(57)	–	–
Lease liabilities	(635)	(69)	–	–	(675)	(74)	–	–
Provisions	–	(101)	–	–	–	(62)	–	–
Members' capital	(286)	–	–	–	(274)	–	–	–
Other liabilities	(3)	(192)	–	–	(3)	(161)	–	–
Derivative financial instruments								
Cash flow hedges	–	1	–	–	2	–	–	–
Total	2	192	68	3	123	139	33	7

LLP

	2023				2022			
	Sterling £m	US dollar/ US dollar linked £m	Euro £m	Other £m	Sterling £m	US dollar/ US dollar linked £m	Euro £m	Other £m
Assets								
Other investments	60	–	6	–	60	2	6	–
Trade and other receivables	600	53	32	3	577	50	39	4
Cash and cash equivalents	720	–	–	–	815	–	–	–
Liabilities								
Trade and other payables	(963)	–	–	–	(771)	–	–	–
Members' capital	(286)	–	–	–	(274)	–	–	–
Total	131	53	38	3	407	52	45	4

26 Related party transactions

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

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

Arrangements are in place for the LLP to supply services to the United Kingdom Partnership in connection with certain client assignments. For the financial year ended 30 June 2023, the LLP provided services to the United Kingdom Partnership to the value of £92,000 (2022: £87,000) under these arrangements. There were no balances outstanding at 30 June 2023 in respect of these services (2022: 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 annuity and certain other post-retirement payments due to certain former partners of that partnership. For the financial year ended 30 June 2023, the LLP charged the United Kingdom Partnership £200,000 (2022: £200,000) for these support services. At 30 June 2023, balances due to the LLP from the United Kingdom Partnership amounted to nil (2022: nil). Amounts paid during the financial year ended 30 June 2023 to the annuitants, on behalf of the continuing members in their capacity as partners of the United Kingdom Partnership, totalled £99m (2022: £103m).

Group transactions with joint ventures and associates

Details of the Group's interests in joint ventures and associates are provided in note 12.

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

	2023 £m	2022 £m
Redemption of preference shares in		
PwC Poland Services Limited	–	(1)
Distributions received from		
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V.	–	(1)
PwC Poland Services Limited	–	(1)
Purchase of services from related parties		
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V. and subsidiary undertakings	22	20
PwC Poland Services Limited and subsidiary undertakings	15	15
Finance income from related parties		
PwC Poland Services Limited	(1)	(1)

The Group's receivable (payable) balances at 30 June with related parties were as follows:

	2023 £m	2022 £m
PwC Poland Services Limited and subsidiary undertakings	8	9
PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V. and subsidiary undertakings	(2)	(2)

During the current financial year ended 30 June 2023, the Group disposed of its 100% equity interest in Regnology TIR UK Ltd. (formerly PwC Tax Information Reporting Limited), recognising a gain on disposal of £4m in the income statement (see note 5).

Notes to the financial statements continued

26 Related party transactions continued

LLP transactions with subsidiary undertakings, joint ventures and associates

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

	2023 £m	2022 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	2,780	2,352
Other subsidiaries, joint ventures and associates	28	27
Provision of services to related parties		
PricewaterhouseCoopers (Middle East Group) Limited	(41)	(14)
Other subsidiaries, joint ventures and associates	(5)	(5)
Income received from investments in related parties		
PwC Holdings (UK) Limited	–	(22)
Other subsidiaries	(8)	(12)

The LLP's receivable (payable) balances at 30 June with related parties were as follows:

	2023 £m	2022 £m
PricewaterhouseCoopers Services Limited	(856)	(687)
PricewaterhouseCoopers (Middle East Group) Limited	5	7
PricewaterhouseCoopers Business Services Limited	(4)	2
Accounting Advisory (UK) LLP	(4)	(3)
PwC Strategy& (UK) Ltd.	(3)	(1)
PricewaterhouseCoopers Overseas Limited	(2)	(3)
PwC Business Consulting Services Limited	(2)	1
Amounts due to other subsidiaries	(2)	(5)

Details of movements in investments in subsidiary undertakings are provided in note 11.

Key management personnel

The Management Board represents key management personnel for the purposes of these financial statements. No remuneration charged as an expense has been paid to the members of the Management Board in the current or prior financial year. The members of the Management Board, as members of the LLP, only receive allocations of profit, which are recognised as distributions in equity.

Notes to the financial statements continued

27 Subsidiary undertakings and joint ventures

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 undertakings are 100% owned by the Group, with the exception of PwC IT Services Egypt LLC, which is 75% owned.

UK group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: 1 Embankment Place, London, WC2N 6RH			
AIMS Holdings No. 1 Limited	England	£1.00 ordinary shares	–
AIMS Holdings No. 2 Limited	England	£1.00 ordinary shares	–
Barbinder Executors & Trustees – (an unlimited company)	England	£1.00 ordinary shares	100
Barbinder Freehold – (an unlimited company)	England	£1.00 ordinary shares	100
Beyond Food Community Interest Company	England	£1.00 ordinary shares	–
Cooper Brothers & Co. Limited	England	£1.00 ordinary shares	100
Coopers & Lybrand Limited	England	£1.00 ordinary shares	100
Embankment Place Primary Healthcare Limited	England	£1.00 ordinary shares	–
Farringdon Trustees – (an unlimited company)	England	£0.10 ordinary shares	100
Frederick's Place Nominees Limited	England	£1.00 ordinary shares	100
Price Waterhouse Limited	England	£1.00 ordinary shares	–
Price Waterhouse MCS UK Holdings B.V.	The Netherlands	EUR 1.00 ordinary shares	100
PricewaterhouseCoopers (UK) Advisory Services (IE) Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers (UK) Advisory Services (KU) Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers (UK) Advisory Services (FI) Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers Advisory Services Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers ASM Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Business Advisory Services Limited	England	A and B class ordinary £1.00 shares	–
PricewaterhouseCoopers Business Services Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers Consulting Services UK Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers CFR Limited	England	£1.00 ordinary shares	–
PricewaterhouseCoopers Corporate Business Services Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Overseas Limited	England	£1.00 ordinary shares	100
PricewaterhouseCoopers Services Limited	England	£1.00 ordinary shares	–
PwC Business Consulting Services Limited	England	A, B and C 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 Customs Intermediary Services Limited	England	£1.00 ordinary shares	–
PwC Digital Services (UK) Limited	England	A and C class ordinary £1.00 shares	–
PwC Digital Technology Services Limited (formerly People Force Consulting Ltd)	England	£0.01 ordinary 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 Service Delivery Centre (Egypt) Holdings No. 1 Limited	England	A, B, C and D class USD 1.00 ordinary shares	75
PwC Service Delivery Centre (Egypt) Holdings No. 2 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	–
PWSP Limited	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	–
Barbinder Trust.(The) – (an unlimited company)	England	£1.00 ordinary shares	100

27 Subsidiary undertakings and joint ventures continued

Subsidiary undertakings continued

UK group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: 1 Embankment Place, London, WC2N 6DX			
PricewaterhouseCoopers Legal (Resources) Limited	England	£1.00 ordinary shares	100
PwC Legal (UAE) Limited	England	£1.00 ordinary shares	100
Registered office: 1 Chamberlain Square Cs, Birmingham, B3 3AX			
Pecten Secretaries Limited	England	£1.00 ordinary shares	–
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	–
Barbinder Trust (Scotland) (The) – (an unlimited company)	Scotland	£1.00 ordinary shares	–
Registered office: Office No.2047–2055, Spaces Inspire Hub Western Heights, J.P Road, 4 Bungalows, Andhen (West) Mumbai, Mumbai City, Maharashtra, India – 400053			
PricewaterhouseCoopers AIMS Support Services India Private Limited	India	INR 500 ordinary shares	–
Registered office: Royal Bank Place, 1 Glategny Esplanade, Guernsey, GY1 4ND			
PricewaterhouseCoopers Alliance Limited	Guernsey	£nil ordinary shares	50
Registered office: One International Towers, Watermans Quay, Bangaroo, NSW, Australia, 2000			
PricewaterhouseCoopers Information Technology Services (Australia) Holdings Pty Ltd	Australia	AUD 1.00 ordinary shares	–
PricewaterhouseCoopers Information Technology Services (Australia) Pty Ltd	Australia	AUD 1.00 ordinary shares	–
Selera Solutions Pty Ltd	Australia	AUD 1.00 ordinary shares	–
Registered office: Plot No. 211, Second Sector, City Center, New Cairo 11835, Egypt, P.O. Box 170, New Cairo			
PwC IT Services Egypt LLC	Egypt	USD 1.00 quotas	–

Channel Islands group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: P.O. Box 321, Royal Bank Place, 1 Glategny Esplanade, Guernsey, GY1 4ND			
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 the LLP
Registered office: Adool 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: OMC Chambers, Wickams Cay 1, Road Town Tortola, British Virgin Islands			
HLP Consulting Limited	British Virgin Islands	USD 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: 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 (Middle East Group) Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Alliance Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Bahrain Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Holdco Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Iraq Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers KSA (Advisory) Limited	Guernsey	£nil ordinary shares	–

27 Subsidiary undertakings and joint ventures continued

Subsidiary undertakings continued

Middle East group companies	Country of incorporation	Share class	% directly held by the LLP
PricewaterhouseCoopers Kuwait Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Kuwait Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Libya Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Middle East Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Oman Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Palestinian Territories Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Qatar Holdco Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Qatar Limited	Guernsey	£nil ordinary shares	–
PricewaterhouseCoopers Saudi Arabia Holdco Limited	Guernsey	£nil ordinary shares	–
PwC Holdings Guernsey Limited	Guernsey	£nil ordinary shares	–
PwC Holdings Middle East Limited	Guernsey	£nil ordinary shares	–
Registered office: Kingdom Tower, P.O. Box 13934, Riyadh 11414, Kingdom of Saudi Arabia			
PricewaterhouseCoopers Advisory Limited	Saudi Arabia	SAR 2,000.00 ordinary shares	–
Registered office: Arraya Tower II, 23rd–24th Floor, Safat 13018, P.O. Box 1753, Al-Shuhada Street, Sharq, Kuwait			
PricewaterhouseCoopers Advisory Services C0. W.L.L.	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 Consultants S.A.E.	Egypt	EGP 100.00 ordinary shares	–
PricewaterhouseCoopers LLC	Egypt	EGP 100.00 ordinary shares	–
Strategy& (Egypt) 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 – P.C. 112, Muscat, Sultanate of Oman			
PricewaterhouseCoopers L.L.C.	Oman	OMR 1.00 ordinary shares	–
Registered office: Level 7, Amaar Tower, Al-irsal, P.O. Box 1317, Ramallah, Palestine			
PricewaterhouseCoopers Palestine Limited	Palestine	USD 100,000.00 ordinary shares	–
Registered office: 3rd Floor, Saba House Building, P.O. Box 11–3155, Block B&C, Said Freiha Street, Hazmieh, Beirut, Lebanon			
PricewaterhouseCoopers (Offshore) S.A.L.	Lebanon	LBP 30,000.00 ordinary shares	–
Registered office: Unit 01, Level 8, Currency House – Building 1, Dubai International Financial Centre, PO Box 11987, Dubai, UAE			
PricewaterhouseCoopers Limited	UAE	AED 1.00 ordinary shares	–
PricewaterhouseCoopers (Holdings) Middle East Limited	UAE	GBP 1.00 ordinary shares	–
PricewaterhouseCoopers Bahrain Limited	UAE	£nil ordinary shares	–
PricewaterhouseCoopers Holdings ME Limited	UAE	£nil ordinary shares	–
PricewaterhouseCoopers Palestinian Territories Limited	UAE	£nil ordinary shares	–
PwC Holdings MER Limited	UAE	£nil ordinary shares	–
Strategy& (Middle East) Ltd.	UAE	USD 1.00 ordinary shares	–
Registered office: Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE			
PwC Academy LLC	UAE	AED 1.00 ordinary shares	–
Registered office: Madinat Al Sultan Qaboos Bausher, P.O. Box 3075, PC 11, Muscat, Oman			
PwC Academy LLC (Oman Branch)	Oman	OMR 1.00 ordinary shares	–
Registered office: Villa No. 252, English Village, Erbil, Republic of Iraq			
PricewaterhouseCoopers Management Advisory LLC	Iraq	IQD 1.00 ordinary shares	–
Registered office: C/o The Corporation Trust Center, 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: 1209 Orange Street, City of Wilmington, County of New Castle, Delaware, 19801, USA			
Strategy& (Lebanon) LLC	USA	Membership units	–
Registered office: Unit 01, Level 8, Currency House – Building 1, Dubai International Financial Centre, P.O. Box 506782, Dubai, UAE			
Strategy& (M.E.) Ltd	UAE	AED 1.00 ordinary shares	–
Registered office: 40th Floor, Tornado Tower, West Bay, Doha, Qatar			
Strategy& (QFC) LLC	Qatar	USD 1.00 ordinary shares	–
Registered office: Al Salah Tower, G 103, Prince Faisal Bin Fahad Street, Khubar, Kingdom of Saudi Arabia			
Strategy& Saudi Arabia	Saudi Arabia	SAR 100.00 ordinary shares	–
Registered office: Residence 6, Street 929, Babel district, Baghdad, Iraq			
Iraqi United Co. for Financial, Accountancy, Tax and Training Advisory Services Limited	Iraq	IQD 5,000,000.00 ordinary shares	–

Notes to the financial statements continued

27 Subsidiary undertakings and joint ventures continued

Subsidiary undertakings continued

Middle East group companies	Country of incorporation	Share class	% directly held by the LLP
Registered office: Shufat Street 5, East Jerusalem, P.O. Box 51084			
Saadi & Co Ltd	Palestine	ILS 100.00 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
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
PricewaterhouseCoopers	Partnership	Unit 01, Level 8, Currency House – Building 1, Dubai International Financial Centre, PO Box 11987, Dubai, UAE
PricewaterhouseCoopers	Partnership	Saba House Building, Block B&C, Said Freiha Street, Hazmieh, P.O. Box 11–3155, Beirut, Lebanon
PricewaterhouseCoopers (Abu Dhabi Branch)	Branch	25th–26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
PricewaterhouseCoopers (ADGM Branch)	Branch	25th–26th Floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
PricewaterhouseCoopers (Dubai Branch)	Branch	Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE
PricewaterhouseCoopers “Jordan”	Branch	Empire Business Complex, Building C5, Section B, Fourth Floor, Erbil, Kurdistan Region, Iraq
PricewaterhouseCoopers – Public Accountants	Partnership	Kingdom Tower, 24th and 56th Floor, P.O. Box 8282, King Fahd Road, Olaya District, Riyadh 11482, Kingdom of Saudi Arabia
PricewaterhouseCoopers – Public Accountants (Jeddah)	Branch	5th Floor, Jameel Square, Al Tahliah Street, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
PricewaterhouseCoopers – Public Accountants (Khobar)	Branch	15th and 19th Floor, Al Hugayet Tower, King Abdul Aziz Street, P.O. Box 467, Dhahran Airport 31932, Kingdom of Saudi Arabia
PricewaterhouseCoopers – SHJ. BR.	Branch	11th Floor, Baitha Towers, Cornish, P.O. Box 63801 82162, Sharjah, UAE
PricewaterhouseCoopers Al-Shatti & Co	Sole ownership	Sharq, Block 7, Omar Al Khattab Street, Building No. 6 Al Rayya Tower, Floor No.23, Kuwait
PricewaterhouseCoopers Bahrain Limited	Branch	Block 317, Road 1702, Building 135, Flat 41, Manama, Bahrain
PricewaterhouseCoopers EzzEldeen, Diab & Co	Partnership	Plot No. 211, Second Sector, City Center, New Cairo 11835, Egypt, P.O. Box 170, New Cairo
Pricewaterhouse Coopers Middle East Limited	Regional office	Third Circle, Jabal Amman, 14 Hazza' Al-Majali Street, P.O. Box 5175, Amman 11183, Jordan
PricewaterhouseCoopers Management Advisory (Baghdad Branch)	Branch	Quarter 601, Street 9, House 16, Al Ameerat Street, Al Mansour District, Baghdad, Republic of Iraq
PricewaterhouseCoopers ME Limited (Branch)	Branch	Office 4701, Building 1459, Road 4624, Block 346, Sea Front, Manama, 60771, Bahrain
PricewaterhouseCoopers ME Limited (Qatar Branch)	Branch	41st Floor, Tornado Tower, West Bay, Doha, Qatar
PricewaterhouseCoopers Legal Middle East LLP	Partnership	1 Embankment Place, London, WC2N 6DX
PwC Legal Middle East LLP (DIFC)	Branch	Unit 01, Level 8, Currency House – Building 1, Dubai International Financial Centre, PO Box 11987, Dubai, UAE
PwC Legal Middle East LLP (ADGM Branch)	Branch	Unit 01, Level 8, Currency House – Building 1, Dubai International Financial Centre, PO Box 11987, Dubai, UAE
PricewaterhouseCoopers RAK Branch	Branch	Office 2402, 24th Floor, Julphar Towers Al Gisr Road, Suhaim, Ras al-Khaimah, UAE
PwC Academy (Abu Dhabi Branch)	Branch	Building 1 – East Tower, Property No. PRP60803, Abu Dhabi Island, Onshore – Abu Dhabi, UAE

27 Subsidiary undertakings and joint ventures continued

Subsidiary undertakings continued

Middle East group partnerships, limited liability partnerships and other unincorporated entities	Legal form	Registered office and principal place of business
PricewaterhouseCoopers Advisory Limited (Al-Ula Branch)	Branch	2206 King Abdulaziz, Skhirat, Al-Ula, Kingdom of Saudi Arabia
PricewaterhouseCoopers Advisory Limited (DMCC Branch)	Branch	Unit 01, Level 8, Currency House – Building 1, Dubai International Financial Centre, PO Box 11987, Dubai, UAE
PricewaterhouseCoopers Regional Headquarters	Branch	2206 King Abdulaziz, Skhirat, Al-Ula, Kingdom of Saudi Arabia
PwC Business Services	Branch	2206 King Abdulaziz, Skhirat, Al-Ula, Kingdom of Saudi Arabia
PwC Academy for Training LLC	Branch	2206 King Abdulaziz, Skhirat, Al-Ula, Kingdom of Saudi Arabia
Saadi & Co – CPA	Partnership	Shufat Street 5, East Jerusalem, P.O. Box 51084, Palestine
Strategy& (Lebanon) LLC	Branch	6th Floor, Block A, 2 Park Avenue; Solidere, P.O. Box i6-6541, Beirut, Lebanon
Strategy& (M.E.) Ltd Dubai Branch	Branch	Emaar Square, Building 5, 11987, Dubai, 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	1701, 17, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, UAE
Strategy& Saudi Arabia (DFIC Branch)	Branch	Unit 01, Level 8, Currency House – Building 1, Dubai International Financial Centre, PO Box 11987, Dubai, 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 (Riyadh)	Branch	Office 801, Olaya Tower, Prince Mohamed Bin Abdulaziz St., Al Olaya district, P.O. Box 6790 – 11452 Riyadh
Wadi Al Maarefah Company for Training (branch)	Branch	Riyadh, Saudi Arabia
Wadi Al Maarefah Company for Training	Branch	Riyadh, Saudi Arabia

Joint ventures and associates

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

Companies	Country of incorporation	Share class	% directly held by the LLP	% held by the Group
Registered office: 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.	The 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 6RH				
PwC Poland Services Limited	England	£1.00 ordinary shares, EUR 1.00 ordinary shares, EUR 1.00 preference shares	–	50
Registered office: 4 Lisbon Lane, Waterfall City, Jukskei View, Midrand, 2090, South Africa				
PwC Service Delivery Centre South Africa Holdings Proprietary Limited	South Africa	ZAR ordinary shares	–	50
PwC Service Delivery Centre South Africa Proprietary Limited	South Africa	ZAR ordinary shares	–	50

Notes to the financial statements continued

27 Subsidiary undertakings and joint ventures continued

Other investments

The subsidiaries listed below have been placed into Members Voluntary Liquidation and, as a result of the loss of control by the Group, the subsidiaries have been reclassified to other investments held at fair value through profit or loss.

Middle East group companies	Country of incorporation	Share class	% directly held by the Company
Registered office: Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE			
PwC Commercial Brokers LLC (in liquidation)	UAE	AED 1.00 ordinary shares	–
Registered office: Office 125, 1st Floor, OBY Building, Hamdan Street, Abu Dhabi, UAE			
HLP International Consulting LLC (in liquidation)	UAE	AED 1,000.00 ordinary shares	–
Registered office: 4th Floor, Al-Hitmi Building #8, Corniche Road, P.O. Box 25422, Doha, Qatar			
Harding Lowe Professionals LLC (in liquidation)	Qatar	AED 1.00 ordinary shares	–

The LLP is incorporated in England and Wales.
The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London, WC2N 6RH.

Climate and energy reporting for the financial year ended 30 June 2023

In accordance with section 414CA of the Companies Act 2006, as amended by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members present the energy and carbon report (referred to as the 'Climate risk statement') of PricewaterhouseCoopers LLP ('PwC LLP') and its subsidiaries covering three territories: the UK, Channel Islands and Middle East (together 'the Group', 'We') for the financial year ended 30 June 2023. References to the 'UK Firm' relate to PwC LLP and its UK-registered subsidiaries only.

Introduction

For financial years beginning on or after 6 April 2022, the Limited Liability Partnerships (Climate-related Financial Disclosure) Regulations 2022 introduced a requirement for certain limited liability partnerships in the United Kingdom ('UK') to make disclosures relating to climate risk in their energy and carbon report. In most respects, these new disclosure requirements are based on the recommendations of the Task Force on Climate related Financial Disclosures ('TCFD').

This is the Group's first year of reporting in accordance with the new regulations, although the sixth year of reporting against the TCFD recommendations in the UK. In response to the new requirements, we have incorporated the climate risk disclosures covering the four pillars of TCFD (governance, strategy, risk management, and metrics and targets) into our energy and carbon report, which we have entitled our Climate risk statement.

We have undertaken assessments of the potential implications of climate change for the Group, and for our clients' sectors. This analysis has helped to deepen our understanding of how we need to continue to adapt our business for long term sustainability, and how we can guide and support our clients' Net Zero transitions. Included within this statement is analysis of the specific physical and transitional risks we face, ranging from the potential interruptions to our service delivery caused by extreme weather, through to our exposure to particular sectors with the highest levels of inherent climate risk.

Through our analysis we have assessed that, in the short to medium-term, the direct impacts of climate risk are not individually material to the Group. Within this context materiality is determined through consideration of the unique identified risks which have the potential to either hamper the achievement of the Group's strategy and business objectives, or fundamentally impact the Group and compromise its future. In recognition of the material climate risks and opportunities for certain sectors however, and the role that the Group can play to shape broader societal change for a just transition, the Group will maintain our ongoing commitment to monitor and adapt to climate change impacts.

We acknowledge the important role we must play to support the transition to a Net Zero and nature positive economy. Contributing to the response to the climate crisis is core to our purpose; to build trust in society and solve important problems. As such, promoting a focus on environmental, social, and governance ('ESG') factors is one of the Group's strategic priorities, both in terms of our own sustainability commitments and performance, and how we support our clients, suppliers and broader stakeholder community with theirs. The Group has committed, as part of the PwC Network's wider commitment, to achieve Net Zero emissions by 2030, for which the targets have been validated by the Science-based Targets Initiative ('SBTi'). In addition, as we approach the 2023 UN Climate Change Conference ('COP28') in Dubai, the Group, and in particular our Middle East operations, will continue our work with key stakeholders to help ensure both a global and regional focus on accelerating climate-related transformation.

Governance

The UK's Management Board has strategic oversight of the Group's approach to climate risk and sustainability, however each territory within the Group undertakes their own operational responsibilities through their respective governance frameworks.

The PwC Global Network

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited ('PwC IL') operate and provide professional services. The firms, with offices in 152 countries and almost 328,000 people, form the PwC Network. However, the PwC Network is not a global partnership, a single firm, or a multinational corporation.

At a PwC Network level, the Network Leadership Team ('NLT') sets the overall strategy and the standards to which member firms agree to adhere, including the PwC Network's Net Zero commitment. The UK Chairman and Senior Partner is a member of the NLT and also sits on the Network's Strategy Council, alongside the Middle East Senior Partner, which approved the PwC Network joining the Business Ambition for 1.5c and Race to Zero initiatives, alongside the science-based commitment to achieving Net Zero by 2030.

The PwC Network requires the Group to adopt internal Enterprise Risk Management standards that, amongst other things, include the consideration and review of the impact of climate risk. This includes review, consideration and preparation for potential implications of physical risks and related disruption; the impact of transition risks on certain clients, sectors, economies and services; and the failure to meet network commitments related to climate. Progress reports are presented biannually by territories to the PwC Network on this. More information on the PwC Network can be found at: https://www.pwc.com/gx/en/about/leadership.html.

As a member of the PwC Network, each of the Group's territories is requested to produce a territory specific Net Zero implementation plan. These scenario plans to 2030 underpin delivery of the Group's Net Zero commitments, identify the major sources of emissions unique to each territory's operations and detail actions to reduce emissions in line with the PwC Network's global commitment.

The Group

For each of the Group's territories, the respective Territory Senior Partners have appointed a territory Net Zero Leader responsible for defining and implementing the Net Zero strategy in their territory. Their responsibilities include:

- The development of territory strategy to achieve territory Net Zero targets
- Ensuring robust and transparent reporting, both internal and, where applicable, external
- Provision of information for management decision making
- Proposing policy change to enable the Group to meet their Net Zero commitment
- Liaising with and informing the Global Corporate Sustainability Team of progress and performance.

For each territory, the Net Zero Leader sits on, or reports directly to their respective executive body; the UK Management Board, the Middle East Leadership Team in the Middle East and the Territory Leadership Team in the Channel Islands.

Climate education is central to achieving a Net Zero economy and the Group has readily available materials for key stakeholders to increase their knowledge of the key risks posed by climate change. In appointing the Net Zero Leader within each territory of the Group, and their supporting committees and working groups, due consideration has been given to the identification of individuals who are leaders in their market and act as key advisors. This ensures best practice knowledge is transferred, as the specialist client service teams are also involved in the development of the Group's strategies and policies. In each of the Group's territories, formal training programmes are available through Sustainability capabilities.

Delivery against the PwC Network plan, including progress against internally and, where applicable, externally assured metrics and targets, is embedded into the performance metrics of each region's Territory Senior Partner, including the UK's Chairman and Senior Partner. An element of the PwC LLP Management Board's remuneration is based on performance against the UK Firm's balanced scorecard of key business metrics, which includes progress against carbon emissions reduction targets.

The UK Firm

The UK climate-related risk and opportunities are overseen by the UK's Management Board, through the Net Zero Committee. The Management Board, supported by a number of subcommittees, is responsible for the long-term strategy of the UK Firm and is focused on delivering in line with its Purpose for clients, its people and external stakeholders.

The UK Supervisory Board has regard to the interests and wellbeing of the UK Firm and the partners as a whole, and reviews and monitors the climate-related risks and opportunities. Its UK Audit Committee is focused on the legal and fiduciary obligations relating to accounting, auditing, financial reporting and internal control functions of the UK Firm. The UK's Audit Committee reviews the Group's consolidated climate-related disclosures, taking into account the views of internal and external auditors and local market practice.

The Net Zero Committee has responsibility for the UK firm's response to the climate and nature crisis, overseeing progress towards the UK's Net Zero commitments and monitoring of the UK's climate risks and opportunities. It has the authority to take operational decisions related to the purpose of the committee and make strategic recommendations to the Line of Service Chief Operating Officers' executive body, and, as needed, wider executive and enterprise risk bodies. Operational decisions are taken by consensus. The committee is chaired by the UK Managing Partner and Chief Operating Officer and is composed of senior representatives that either have direct sustainability responsibilities and experience or associated delivery roles. These include the UK Firm's Net Zero Leader responsible for liaison with the Network and the Executive Board member responsible for the Sustainability Platform. During 2023, the Committee met seven times to consider the long and near-term sustainability strategy, including the UK Firm's corporate sustainability strategy in response to climate and nature-related risks; carbon emissions reporting and their manifestation in a variety of external reports, in particular the Scope 3 reporting and consolidation of Group metrics; relevance and progress of current programmes relating to emissions from the UK Firm's buildings, business travel, supply chain; and the approach to carbon offsetting.

Progress against non-financial sustainability targets, including metrics underpinning the Net Zero strategy, is reported annually to the Executive Board (a committee of the Management Board responsible for execution of the policies, strategy and management of the UK Firm), chaired by the UK's Chairman and Senior Partner. Further annual progress metrics are submitted to the Global Sustainability team to track performance against our global net zero commitments.

The Chair of the Net Zero Steering Committee is responsible for ensuring the Executive Board is kept informed of progress, strategy and risks. The Executive Board also approves all climate-related disclosures. Additionally, the Executive Risk Committee (a committee of the Management Board), chaired by the UK Chief Risk Officer and General Counsel, periodically reviews emerging climate-related risks to the business, while the Clients and Markets Executive (a committee of the Management Board) considers climate issues in relation to client-facing and market opportunities, and in particular the rapidly growing UK ESG Sustainability platform, within which the business' climate specialists work with the lines of service to meet the growing demand for sustainability services in the marketplace.

Climate and energy reporting continued

PwC Middle East and Channel Islands
In the Middle East, energy and carbon consumption reductions, data and the reporting approach are managed by a nominated individual with corporate sustainability responsibility. This is overseen by the Middle East Leadership Team who review the data at least twice a year, including details of the status of carbon emissions generated from air and road travel and hotel accommodation. At least biannually, the carbon emissions of each Line of Service in the business will be reviewed by the Line of Service Leaders and Chief Operating Officers.

The Channel Islands firm also has a nominated individual responsible for corporate sustainability and the local data is reviewed by the territory Net Zero Leader regularly and the Territory Senior Partner quarterly.

Climate Risk Strategy
The direct effects of climate change and the transition to a low carbon economy are increasingly impacting the Group's value chain, and taking actions to mitigate and adapt is necessary across the Group's operations, as well as the services we offer in support of our clients' Net Zero and sustainability journeys.

The Group's strategic investment activity includes a core focus on growing and scaling our capabilities in sustainability, climate and related specialisms. Our aim is not only to aid our clients in their efforts to decarbonise but support a transition to a more sustainable economy that takes into account the social impact of any climate action taken. To meet this critical challenge, we have already invested in scaling the Group's sustainability capabilities. This includes establishing a team of sustainability specialists with a focus on connecting our sustainability expertise, capabilities and solutions in an integrated way across our network to support our clients in their response to the climate crisis. Key focus areas include support with Net Zero transformation and sustainability reporting.

A key part of our own approach is to focus on reducing our carbon emissions footprint in line with our Net Zero commitments by adapting the way we operate to maximise efficiency. Our strategy includes focus areas covering reducing direct emissions; using renewable energy; managing down business travel; engaging with suppliers to make their own SBTi validated reduction targets; offsetting emissions; and measuring and disclosing impact.

The Group's governance bodies in each territory, including the UK's Executive Board, the Middle East Leadership Team and the Channel Islands' Leadership Team, continue to monitor and evaluate sustainability market trends, developments and emerging sustainability insights. Issues considered include: extreme weather events; energy security; commodity availability; regulatory developments; reputational impacts; and the ability to attract and retain staff. Looking forward, the Group's objectives include: delivering on our Net Zero commitment; supporting our clients to develop and implement their climate strategies; the ongoing production of transparent disclosures; and continued advocacy through collaboration with stakeholders.

Climate-related risks and opportunities
In order to make a positive contribution towards decarbonising the economy and the Group's business, we undertook detailed assessments of the potential implications of climate change. These served to support our understanding of how we need to adapt our business for long term sustainability and can guide our clients' Net Zero transitions. A series of risks and opportunities have been identified across the Group through consultation with key stakeholders within each region and Line of Service, and the use of climate modelling.

The framework applied to assess the climate risks and opportunities is consistent with the wider PwC Network and distinguishes between those affecting the Group's unique services and operations, and those to which the Group may be exposed to through its client base and the broader economic impacts arising from climate change.

Through stakeholder consultation with leaders across the Group, a qualitative risk assessment was undertaken to consider the relevant climate risks and opportunities, activities to date and plans for the future. Further detail is provided on pages 68 - 75, including a description of the business impact and response.

Building on previous qualitative scenario analysis relevant to how we operate, we have selected two salient key risks on which to perform further quantitative scenario assessment, comprising the physical risks to the Group's office locations and transition risk exposure to particular clients or sectors facing higher levels of transition risk. We expand on the results of our quantitative scenario analysis exercise below.

Leveraging the expertise of PwC climate change experts from the UK Firm's Sustainability practice, we tested and analysed our business through a number of different scenarios using our own Climate Risk Modelling digital capabilities. PwC's proprietary Physical Climate Analytics Tool was used to model the Group's exposure to physical risk from climate change and our proprietary Climate Excellence Tool provided an assessment of our exposure to transition risk through our client portfolio. Various contrasting scenarios of global warming from a preindustrial baseline have been performed to assess the physical risk at a longer-term 2050 time horizon and the transition risk at a medium-term 2030 time horizon.

The no mitigation >4°C scenario implies greater physical risks to asset values from events related to more extreme weather, while the <1.8°C scenarios involve greater transition risks in the short to medium-term as markets and regulators adapt to the realities of a low carbon economy. Both scenario sets present potential risks and opportunities, whether for the Group's business operations or for the services that we provide to clients. The analysis provides a forward-looking approach in assessing the potential risks and opportunities.

Climate and energy reporting continued

Physical Risk to PwC Operations

As a large, people-based services organisation, the Group relies on relatively small quantities of energy in its operations, compared to many sectors. However, the Group's collective footprint includes over 31,000 staff across the UK, Middle East and Channel Islands, working in more than 40 offices which could be exposed to physical risks.

Scenario analysis

Our scenario analysis assessed the exposure to different physical hazards at each of our diverse locations across the UK, Middle East and Channel Islands. These locations do not include delivery centres where the Group does not have a controlling interest. A full list of our office locations are available as follows:

Territory	Website
UK	www.pwc.co.uk/who-we-are/office-locations.html
Channel Islands	www.pwc.com/jg/en/about-us/office-locations.html
Middle East	www.pwc.com/m1/en/about-us/office-locations-middle-east.html

The hazards analysed and scenarios used include: extreme rainfall; hail and thunderstorm probability; flood risk; extreme wind speeds; drought frequency; wildfire risk; days of high heat; and extreme cold. Our scenario analysis used the following scientifically developed Shared Socioeconomic Pathway ('SSP') frameworks from the Intergovernmental Panel on Climate Change to compare the differing extents to which physical risks will materialise under different temperature outcomes.

Climate scenarios	<2°C SSP1-2.6	2-3°C SSP2-4.5	>4°C SSP5-8.5
End of century temperature rise	1.8°C (1.3-2.4°C)	2.7°C (2.1-3.5°C)	4.4°C (3.3-5.7°C)
Source	Jupiter Intelligence data based on IPCC's 6th Coupled Model Intercomparison Project ("CMIP6")		

The Group's physical risk results outlined below are focussed on the potential impacts arising under the >4°C high-warming scenario in order to demonstrate the potential physical risks arising from the most severe acute effects of climate change and the chronic changes which could materialise more significantly over the long-term.

For each hazard, all locations are assigned a hazard score based on their current (2020) exposure to the hazard and a change score based on the expected change in hazard score between 2020 and 2050 under a >4°C scenario. For each location, the hazard scores are aggregated to provide an overall risk score. Both scores are useful metrics in the understanding and management of climate risk. The current risk score highlights risks that are likely present at certain sites in the present day, with effects that may increase in frequency and severity in the short term. The change score highlights those locations where new risks may emerge, meaning there is likely a need to prepare mitigation measures against risks not observed in the present day, or the severity/frequency of risks already present may be shown to increase over time, meaning more comprehensive measures may be required by 2050.

Assumptions

For the purpose of the analysis, it is assumed that no action is taken by PwC to mitigate or limit the impacts of each risk. Potential mitigations are discussed below.

Assessment findings

In the illustration, darker shades indicate a higher score for the level of current physical climate risk. The size of the bubble indicates the expected change in the score between 2020 and 2050.

The Group's footprint however is not spread evenly across all sites. Locations in the UK, spanning London, Birmingham and Manchester, the United Arab Emirates, including Dubai and Abu Dhabi, and the Kingdom of Saudi Arabia, including Riyadh and Jeddah, account for more than 75% of the Group's revenue and more than 60% of our people. As such our response to managing physical risk will be prioritised in these locations.

Physical risk impact in the Group's top locations by revenue and headcount:

Of our key locations, the current physical risk exposure is the greatest in the London offices, primarily due to flood risk, with some exposure to drought risk. In the main Middle East locations, most of the current physical risk exposure is driven through heat risk, which is expected to increase in severity across both the Middle East and the UK by 2050. In Dubai, there is also expected to be increased flood risk by 2050.

Physical risk mitigation and adaptation

The Group's overall dispersed office footprint reduces the risk of widespread disruption from extreme weather events because in particular areas of high head count, we have alternative office locations enabling business continuity. Further, the Group manages the risk of disruption to its core operations through investment in business continuity, including certified business continuity management systems to the ISO 22301:2019 standard.

The high current exposure to flood risk in locations in the UK, notably London, and the Middle East are expected to remain manageable until 2050. However, over this long-term horizon, the severity of flood risk is expected to require significant adaptation to manage in Qatar and the United Arab Emirates due to the intensity of precipitation.

Flood risk assessments are carried out for all UK sites using the Government flood risk rating platform. The UK and Channel Islands' ISO 14001 'Aspects and Impacts' register outlines how the business interacts with the environment, allowing us to track and mitigate risks and impacts. In our London offices, bunding is in place to provide high and low voltage switch rooms protection from flooding to support the continuity of critical services, enabling electricity and network connectivity. Additionally, electric pumps are installed in these offices as a further defence.

The Group has invested heavily in technology, enabling our people to work remotely if needed, to support continued operations should an unexpected event materialise. The benefits of this ability to adapt to such crisis scenarios effectively was demonstrated during the COVID-19 pandemic, when we seamlessly transitioned to a virtual working environment.

Physical risks arising from an extreme weather incident would not have a sole impact on the Group; our offices are leased and located in areas alongside other large organisations. Therefore, in addition to our own direct mitigation activities, some market adaption would also be anticipated in the medium-long term. For example, additional flood defence and river wall activities by local authorities, such as those within the UK to mitigate against anticipated sea level rise or potential riverine flooding.

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Transition risks to client services

Transition risk refers to the shift to a lower carbon economy and is driven by: policy changes; initiatives associated with reducing vehicle emissions and international regulatory reporting changes; disruptive technologies including alternative fuels, electric transportation, and renewable energy; shifts in supply chain and consumer demand for products; and changing public perception of products or organisations.

The Group has undertaken a transition risk assessment in order to determine the potential impact on the Group's business model, client base and the broader economies in which it operates under various climate scenarios. The scenarios chosen are aligned with the TCFD recommendations on scenario analysis. PwC's proprietary Climate Excellence Tool was used to model the impact on clients' annual earnings and to estimate the associated impact on the Group's revenue. The analysis was undertaken at the client level, aggregated by region, sector, industry and services.

The results support the identification of the most at-risk clients, allowing an opportunity to assist with their transition needs, while simultaneously providing a view on how the Group's business might be impacted in the future, including the client base and service offerings provided.

Scenario analysis

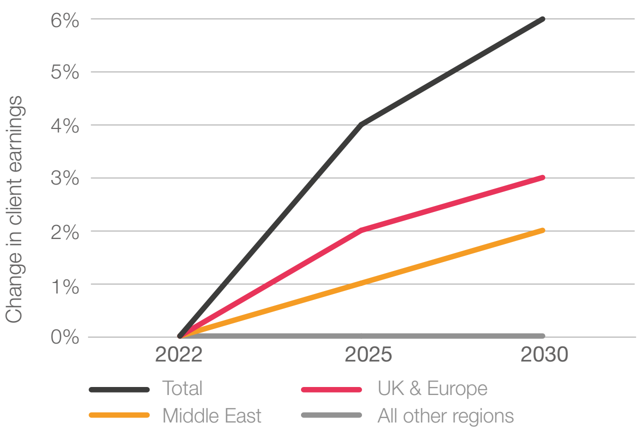
The transition risk analysis focuses on the difference between the International Energy Agency ('IEA') Stated Policies Scenario (STEPS 3°C), a scenario with lower offsetting mitigation and impact exposure to transition risk, and the IEA Sustainable Development Scenario (SDS 1.8°C), a scenario with greater assumed mitigation and hence exposure to transition risk through increased policy, regulatory and market changes. The analysis focused on results until 2030 as transition risks will materialise more acutely over the short to medium-term, whereas long-term macroeconomic changes are difficult to quantify meaningfully.

As a professional services firm, the impact of climate risk on our own business is likely to materialise as a result of changed circumstances at the clients we serve and the associated revenue we receive for our services. Our scenario analysis therefore focused on assessing the performance of the Group's clients under each climate scenario.

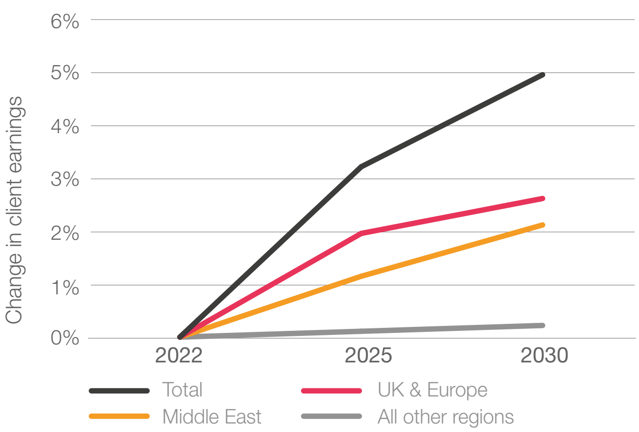
PwC's proprietary Climate Excellence Tool applies assumptions on the future impact of transition-related economic trends applicable for each sector. These will differ depending on various elements ranging from their reliance on fossil fuels to consumer behaviours. More information on the Climate Excellence Tool can be found at https://www.pwc.de/en/sustainability/climate-excellence-making-companies-fit-for-climate-change.html

Assessment findings

Low transition risk scenario – STEPS 3.0°C



High transition risk scenario – SDS 1.8°C



The upward curves show the overall growth of earnings in line with macro economic growth assumptions that underpin the model. Our analysis shows that in a high transition risk scenario, our clients' earnings are tempered slightly compared to the low transition scenario, due to increased climate policies, taxes and regulation in the short-term to 2030.

Our two key regional exposures include the UK and Europe and the Middle East. Whilst the Middle East represents a smaller proportion of our portfolio, the region experiences similar growth in both scenarios as current policy commitments have a lesser dampening impact on earnings. Consideration of the Kingdom of Saudi Arabia Vision 2030, which includes achieving environmental sustainability, safeguarding the environment and diversifying away from oil dependency, if implemented in the short term, will change this expected trend and potentially dampen earnings growth in the region.

The UK and Europe is the largest geographical market from which the Group derives its client revenues. Under a high transition risk scenario (1.8°C scenario), our clients' earnings in this region will be more impacted by changes in climate policies, technologies, market demands, supply chains and consumer sentiment as the market transitions to a low-carbon economy. Our modelling suggests that in our UK and European client portfolio, the greatest transition risk exposure lies in the manufacturing and transportation sectors, due to the carbon intensive nature of these sectors and the proportion of client revenue derived from them. Transition risk in the manufacturing sector is driven mainly by their reliance on fossil fuels and our revenue exposure across this industry sector. Transition risk in the transportation sector is driven primarily by the level of investment needed for electrification across different geographies.

We also analysed potential climate opportunities. The modelling suggests that the greatest climate opportunity in the Group's client portfolio lies within the electricity generation and demand sector. Even though this sector makes up a small proportion of current client revenue, the earnings potential from climate opportunities in a low transition risk scenario are so significant that they contribute to relatively higher client earnings by 2030 when compared to a high transition risk scenario.

Opportunities and risks for the Group's services

The Group delivers tailored, industry-focused services and solutions for public and private sector clients. The Group's client base and services are well-diversified across a wide range of clients, sectors and geographies which allows agility in the Group's revenue streams and reduces the dependency on any individual sector to the extent that, if they ceased to exist, it would not materially impact revenue or disrupt elements of our strategy. It is recognised, however, that the composition of the Group's portfolio mix will also evolve in response to the wider macroeconomic environment and its evolution. In addition, changes arising from future climate change have the potential to impact the business to varying degrees through the portfolio of services provided to clients across the various industry sectors and the manner in which the Group operationally delivers those services.

Opportunities and risks for advisory services

For the Group's audit and assurance practices, Regulators have highlighted the importance of auditors' professional scepticism with respect to the impact that climate risk could have on the judgements which underpin financial statements, as well as wider reporting requirements. The Group's audit methodology includes steps to ensure that climate risk is given appropriate consideration at the right stage in the process and is supported by an online climate-risk knowledge hub which houses relevant guidance and audit methodology updates.

Climate and energy reporting continued

In order to demonstrate this ongoing commitment, in the UK teams issuing long form audit opinions are required to discuss the impact of climate risk on the audit within their opinions. Clients are able to access thought leadership provided by the Group, including in the UK through non-executive programmes and Accounting and Reporting Update webcasts. Also within the UK, a focussed team in the Audit Risk and Quality function is dedicated to providing practical support to engagement teams, particularly those involved in higher climate risk industries. Furthermore, formal training programmes, including specific training for qualified audit staff through External Auditor Training are available.

In addition, the Group's ESG and Sustainability assurance practice provides assurance services to a number of clients, supporting them as they develop more robust processes and controls to capture that data, and giving them and their stakeholders greater confidence in the environmental data they publish.

Opportunities and risks to our clients' businesses

The PwC Network is also a member of the Net Zero Financial Service Providers Alliance ('NZFSPA'), as part of the Glasgow Financial Alliance for Net Zero ('GFANZ'), and in 2022 became a signatory to The Carbon Call, to help address the challenges that companies face with the existing global carbon accounting standards and methodologies. Reporting in this area is developing rapidly and the way in which companies and auditors respond is an area of focus for regulators and investors. We recognise how important it is for us to be part of that debate and to adapt as both requirements and market expectations evolve.

We remain conscious of our clients' exposure to climate risks and opportunities when selling and delivering our services - particularly those services relating to strategy and governance, risk and reporting, deals-related transactions, and business transformation work. Equally, if some clients are disproportionately affected by physical or transition risks, it may change the priority that they choose to give to certain types of external advice and alter the mix of services they seek.

Working with stakeholders to shape the agenda

Aligned with our strategy, the Group, and the wider PwC Network, seeks to deliver solutions that have positive economic and societal impacts. Accordingly, we invest time in sustainability research, and thought leadership, to help inform the wider debate and to progress the agenda, including the following:

- The Group continued our support of the TCFD, through our membership and playing an active role in the development of its framework and recommendations, including the PwC Network being a signatory at a global level and the UK Firm a signatory to the TCFD Statement of Support.
- The PwC Network continued its support for the Task Force for Nature-related Financial Disclosure ('TNFD'), the RE100 initiative to source 100% renewable electricity, and the Lowering Emissions by Accelerating Forest finance ('LEAF') Coalition.
- The PwC Network's Chairman is also a member of the WEF's Alliance of CEO Climate Leaders, a community of leaders committed to helping to address the climate crisis.
- The Group worked with key opinion formers such as the World Economic Forum ('WEF'), the World Business Council for Sustainable Development ('WBCSD'), the Value Balancing Alliance, and the Capitals Coalition, among others. Supporting the WBCSD, the UK Firm also contributed to the Demystifying Climate Transition Scenarios report.
- The UK Firm published:
  - The next iteration of the Net Zero Economy Index, tracking the progress of G20 countries in decarbonising their economies.
  - The Still Early Days report, with practical suggestions to support TCFD reporting based on a review of 50 FTSE 350 companies, as well as guidance on the EU's Corporate Sustainability Reporting Directive ('CSRD').
  - The latest State of Climate Tech report, now in its third year, detailing tech-solutions critical to climate-transformation, as well as several sector-specific reports as part of a series on how to address ESG while identifying growth opportunities.
  - The second instalment of its Green Jobs Barometer, measuring the relative performance of UK regions and industry sectors on their progress developing green jobs. The annual report aims to support a fair transition to Net Zero by building an evidence base of the impact on jobs and communities.

Climate and energy reporting continued

Summary of identified risks and opportunities

The Group has identified a number of risks and opportunities, distinguished between those affecting our own services and our operations, and those to which we may be exposed through our client base and broader economic impacts arising from climate change. The time horizon, business impact and response to each of these are detailed below.

Order of risk	Definition	Time horizon	Definition
Direct	Climate-related outcomes that may directly affect PwC operations, services or people	Short-term	0-5 years
Portfolio	Climate-related outcomes impacting PwC clients	Medium-term	5-10 years
Broader and market	Climate-related economic and social disruption triggered by extreme weather or transition activities, including large scale supply chain disruption and adaptation	Long-term	10+ years

Risks and opportunities identified	Order of risk	Time horizon	Business impact	Business response
Physical risks				
Physical risks to office infrastructure arising from acute and chronic climate events.	Direct	Mid to long-term	Disruption to delivery of services; increased costs through property damage, power and telecommunication outage. This encompasses the risks to our delivery centres, including those in Egypt, India, Eastern Europe and South Africa.	Climate change is not projected to significantly impact the Group's office portfolio. Most of the Group's offices are leased and therefore the direct asset impact is somewhat mitigated. This risk continues to be actively monitored and mitigated through business continuity plans, such as implementing flood defences in our More London office. The PwC Network standards support the mitigation of the physical risks to our delivery centres through standard business continuity plans requirements.
Physical risks to employees' home locations arising from acute and chronic climate events.	Direct	Mid to long-term	Disruption to delivery of services; impacting the Group's ongoing ability to attract and retain talent, which is critical to ensure the ongoing ability to meet client needs.	Housing, infrastructure, reliable internet and mobile network access and proximity to an office all factor into the capacity of the Group's employees' to continue to work following natural disasters, ultimately impacting PwC's ability to provide services to clients. The Group's strategies provide additional hybrid working options. If necessary employees could work from home, client locations, or elsewhere. Without a nearby office, employees' home locations become increasingly important to the Group's resilience. In the event of a natural disaster, offices can be a safe haven, providing access to a temperature controlled environment or electricity.

Climate and energy reporting continued

Summary of identified risks and opportunities continued

Risks and opportunities identified	Order of risk	Time horizon	Business impact	Business response
Physical risks continued				
Disruption to business travel arising from extreme weather events.	Direct	Mid to long-term	Travel disruption may impact client services, leading to delays in delivery of our engagements, and affecting revenue.	TThe Group has a number of initiatives, including infrastructure investment in network capability allowing remote connection and enhanced client connectivity. As experienced during the COVID-19 pandemic, the Group was able to quickly adapt to a remote working model. Through travel response tools, such as International SOS and PwC Security Operations Centre, we are also able to monitor the impact of extreme weather on travel.
Extreme weather events causing major disruption to remote service delivery.	Direct	Mid to long-term	Disruption to delivery centres, cloud data centres and accessibility to key Software-as-a Service (SaaS) platforms may impact the provision of client services. This is particularly important given the greater reliance on alternative delivery models to deliver client and firm support services, and on cloud hosting and computing.	PwC Network standards support the mitigation of these risks through business continuity plans. These include site-level initiatives that range from office design to in-office reductions of paper, electricity and water. Our cloud service providers are diversified across the globe, limiting the impact of an extreme weather event in one of these locations. In addition, we will assess the climate risk during cloud server location selection, including flood risk, wind risk, water stress and extreme temperatures considerations. Our enhanced client connectivity partially mitigates the risk to continuity of service delivery. The geographic footprint of our clients is diverse, further mitigating the risk exposure to direct and broader market regional events.
Transition risks				
Adapting our core services to embed consideration of climate risk in line with regulatory and legislative changes, and market expectations.	Direct	Short to mid-term	Reputational damage and possible financial loss arising from the Group's failure to adapt core services in consideration of the impacts of climate change. If the level of quality in the Group's services was deemed to be impaired, reputational damage could lead to loss of market share to competitors, impacting revenue.	The Group's growing sustainability capabilities enable us to support clients to report on climate issues and also to transform and build their resiliency. While some services may be reduced due to decreases in client earnings, the Group has an opportunity to promote the services that would become more critical in response to various ESG challenges eg. workforce transformation, supply chain adaptation advice, responses to changing regulation etc. The transition risk differs across territories due to local and evolving regulatory requirements.

Climate and energy reporting continued

Summary of identified risks and opportunities continued

Risks and opportunities identified	Order of risk	Time horizon	Business impact	Business response
Transition risks continued				
The implementation of carbon taxes in the regions in which we operate.	Direct	Mid-term	Potential loss from the implementation of carbon taxes through an increase in our operational expenses.	As part of the PwC Network, the Group has committed to offsetting its residual emissions every year and to transitioning to 100% carbon removal credits by 2030. There are currently no material carbon pricing systems in the regions in which we operate. However, the adoption of emissions trading protocols or carbon taxes have the potential to increase expenses for PwC.The rapidly increasing prices of offsets may have a significant impact on our environmental budget. The Group, however, has committed to purchase high integrity nature based avoidance carbon credits from 2024 to 2028, verified against the independent and rigorous ART/TREES standard, as part of the private-public LEAF Coalition (Lowering Emissions by Accelerating Forest finance) therefore limiting our financial exposure. Overall, the financial impact is considered immaterial to the overall business in the short to medium term.
Exposure to particular clients or sectors with highest levels of inherent climate risk.	Portfolio	Mid-term	Potential loss of revenue as sectors or clients face disruption, leading to reduced budget for professional services.	The Group's exposure to particular clients represents a low transition risk, with more than a third of services provided to clients in the financial services sector. Although this sector does not carry out carbon-intensive activities itself, it faces its own risk through its investments. Our greatest transition risk exposure lies in the manufacturing and transportation sectors, due to the carbon intensive nature of these sectors and the proportion of client revenue derived from them. Transition risk in the manufacturing sector is driven mainly by our exposure to energy, utilities and resources companies and pharmaceutical companies in our client portfolio. Transition risk in the transportation sector is driven primarily by the level of investment needed for electrification across different geographies. Opportunities to support at risk clients and those facing their own inherent risk exists through continued development of the Group's service offerings.

Climate and energy reporting continued

Summary of identified risks and opportunities continued

Risks and opportunities identified	Order of risk	Time horizon	Business impact	Business response
Transition risks continued				
Attracting and retaining talent.	Direct	Short to mid-term	Reputational impact from the Group's response to the global climate challenge could impact the ongoing ability to attract and retain talent, which is critical to the ongoing ability to serve clients.	Public promotion of the New Equation, ESG investment and training and the 2030 Net Zero Commitment supports the attraction and retention of talent. Opportunities for professional growth through an increase in climate-related, innovative, high-quality service offerings also attracts a staff of environmental specialists. Further, the firm promotes sustainability-focused employee engagement programmes to align with staff interests and to encourage desired behaviour change.
Brand/reputational risk arising from failure to contribute in a meaningful way to the climate agenda, including failure to meet our public Net Zero commitments.	Direct	Mid-term	Potential reputational damage and/or financial loss.	The Group is focused on maintaining trust with its clients and broader stakeholders in leading by example as part of The New Equation. The importance placed on trust and transparency is demonstrated through the public Net Zero commitment and associated reporting and disclosures, which we will continue to expand across the Group. The Group remains committed to contributing our time and expertise to progressing and advocating for the climate agenda through its various contributions to various climate fora in this space.
Opportunities				
Supporting clients in addressing climate-related risks and opportunities arising for them.	n/a	Short, mid and long-term	Potential for revenue growth or increasing market share from adapting core services and developing and scaling new services to help clients understand, respond to and report on the implications of climate change for their businesses.	To meet this urgent challenge, we have invested in scaling our Group's sustainability capabilities, including establishing a team of sustainability specialists with a focus on connecting our sustainability expertise, capabilities and solutions in an integrated way across our network to support our clients in their response to the climate crisis. Key focus areas include support with Net Zero transformation and sustainability reporting.
Advocacy and contribution of expertise to wider policy and/or sector-based efforts to solve transition challenges and/or accelerate transition to low carbon alternatives.	n/a	Short, mid and long-term	Purpose-led responses to support solving of important issues; reputational benefits; engaging the Group's people.	Through advocacy towards the simplification and improvement of how climate change is reported and measured, the Group can facilitate clients and the broader society in addressing emerging policy and transition challenges.

Risk management

The PwC Network

At a PwC Network level climate change has been identified as a Key Network Risk ('KNR'). KNRs are identified as those which have the potential to undermine the achievement of the PwC Network strategy and business objectives, or fundamentally damage the PwC network and compromise its future. For those risks identified, each member firm is required to assess the probability of the risk occurring, its potential impact and whether the risk is operational, forward looking or emerging and then develop an appropriate response. This applies across the Group and, as such, each of the Group's territories consider climate-related impacts and has integrated relevant responses to KNRs into their individual risk management frameworks.

The Group

Risks to the Group's business relating to climate change, whether strategic or operational, are managed in the same way as other business risks. Each territory has its own management boards with delegated responsibility for their risk framework, with systems of risk management and control. These include each of the lines of service, which report on risks relating to their business areas, supported by local risk management teams who work across the territory businesses on their respective professional services risk management systems. Additionally, each territory has firm-wide processes for reviewing new business and monitoring changes in applicable regulatory regimes.

Climate-related risks and opportunities continue to be further integrated into territory risk management frameworks, including the impact of regulatory compliance, publicly stated ESG commitments, evolving client services and delivery of quality audit services. The Group identifies and manages reputational risks associated with our environmental data and reporting capabilities using a robust third party software platform. Climate-related reporting is subject to annual assurance processes, incorporating internal assurance, and in the UK, supplemented by external assurance processes for UK metrics and targets.

The Group's ESG and sustainability specialist teams form practices of market-leading experts throughout the business. They identify emerging regulatory or commercial requirements relating to climate change, which enables us to support clients' response to these developments and can also help to identify potential climate change implications for the business. Recent examples include the UK's new climate risk reporting regulations for large companies and limited liability partnerships, evolving carbon reporting requirements for UK Government suppliers, the developing European reporting requirements under the CSRD and the first standards recently issued by the ISSB.

Although the assessments to date indicate that the potential physical risks from climate change to the Group's operations are not material in the short term, the physical risk-exposures continue to be monitored. The ongoing demonstration of the Group's Purpose and Values, through strategies ranging from whom we work with and what we do, delivering on the Group's Net Zero commitments, and through ongoing assessment further improves our resilience to these potential risks.

The Group's learnings through recent experience, including Brexit, COVID-19 and the war in Ukraine, have highlighted the need to continue to adopt agile and adaptable approaches to operate effectively during times of uncertainty, continue to grow the business and deliver value to clients. Building on these experiences, the Group continues to leverage the resilience demonstrated in adapting and responding rapidly to unexpected events; leveraging the ongoing investment in collaborative technology, enabling effective remote working and continuing to provide ongoing and new services to our clients.

Territory Level

In the UK, the Management Board takes overall responsibility for establishing systems of internal control, and internal quality control, and for reviewing and evaluating their effectiveness. These systems are reviewed by the Executive Risk Committee, which oversees the business risks and risk management strategy for the firm. The principal risks facing the firm are reviewed at least annually, including those that would threaten the UK Firm's business model, future performance, solvency or liquidity.

Each year, we publish our approach to firmwide risk and principal business risks in the UK Transparency Report. Two of the UK's principal risks are specifically focused on climate and environmental risks:

- Failure to lead our clients and markets in appropriately mitigating and responding to the impacts of climate change and degradations to the environment.
- Failure to appropriately mitigate and respond to the impacts of climate change and assess risks of degradations to the environment on our operations and the UK firm.

In consideration of these risks, the Clients and Markets Executive reviews and tracks market indicators and specific climate risk mitigation actions, such as investment in the UK ESG Platform to support the appropriate upskilling of our people; and the Net Zero Committee focuses on our operational ability to meet our Net Zero commitments.

In the Middle East and the Channel Islands, the respective Leadership Teams and the Risk Management Partners respectively have overall responsibility for their territory risk frameworks, which are also reviewed annually. As part of the PwC Network standards, climate risk was included separately as a key risk in each of the Group's territories' firmwide risk registers, previously having comprised a key component embedded within the separate risk area.

Metrics and targets

As we reflect on the findings of our climate scenario analysis and deeper understanding of the risks and opportunities for our business, it will drive further consideration of the metrics we will use to both measure and monitor them across the Group.

Measuring our climate-related investment and revenues and expanding on our associated disclosures will be a focus for the upcoming financial year to 30 June 2024 and will support further insights into transition pathways and potential changes in revenue and profitability over time.

Commitment to Net Zero by 2030

As part of the PwC Network wide commitment, the Group has committed to Net Zero by 2030, which involves halving our operational carbon footprint by 2030 against our 2019 baseline in line with a 1.5 degree warming scenario, which aligns to the highest ambition level of the SBTi. The commitment comprises:

- Reducing total emissions by 50% by: transitioning to 100% renewable electricity and driving energy efficiency improvements in our offices, and halving the emissions associated with business travel.
- Ensuring that 50% of the Group's suppliers (by emissions) have set their own science-based target by 2025.
- Maintaining carbon neutrality and investing in carbon removal from 2030 to compensate for all remaining emissions.

The commitment also involves strengthening the way climate action is embedded into supplier contracts, client service offerings and market advocacy.

Progress towards targets

The Group has invested heavily in reducing its energy consumption. The majority of the Group's office space operates on renewables, with the remaining covered by Energy Attribute Certificates ('EAC'), and as a result office related emissions do not contribute significantly to our total greenhouse gas emissions. However, we continue to remain focused on improving energy efficiency across the Group, reporting on our carbon emissions reduction strategy through the global PwC Network response to the Carbon Disclosure Project.

The UK has continued to build on its previous investments in energy-efficient offices through several energy savings projects and refurbishments during the year. Over the Christmas period, we temporarily closed a number of offices, including our largest office in Embankment Place. This enabled us to reduce the space we were heating and lighting, saving approximately 230,000 kWh of energy over the four day period. Further projects included the completion of LED lighting upgrades in our Newcastle and Edinburgh offices, shifting our evening cleaning services to the daytime to enable the lights on our floors to switch off earlier, and rolling out a UK-wide heating and cooling optimisation strategy, enabling our building management systems to run reactively based on environmental conditions and occupancy. Together, these initiatives saved approximately 690,000 kWh of energy per year.

Within the UK, the environmental management system has been certified to the ISO 14001 standard since 2008, and its energy management system has been certified to the ISO 50001 standard since 2012. Additionally, during the financial year ended 30 June 2023, the UK Firm maintained its Carbon Trust 'Route to Net Zero' Standard and recognition by Ecovadis as a 'Leader' in carbon management.

For the Middle East business, all offices are now 100% powered by solar renewable energy, with offices in Egypt, Jordan and the United Arab Emirates RE100 compliant. Additionally, it was agreed with one of our main suppliers to replace all laptops with energy efficient models and the installation of solar panels in the Beirut office commenced in June 2023.

For energy management, Channel Island activity is incorporated into the UK. The Channel Islands business is an accredited Eco-Active Business Leader in Jersey, supporting the local commitment to environmental sustainability in all offices. Refurbishments to the Guernsey and Jersey offices included energy-efficient heating and lighting upgrades. The Channel Islands business has also been certified to the ISO 14001 standard since 2010.

Additionally, the Group engages with its suppliers to drive Net Zero action to measure, report and set carbon reduction targets validated by the SBTi. The UK Firm's Supply Chain Sustainability programme is designed to drive down carbon emissions, through collaboration and innovation to measure, report and set targets. Key suppliers are selected on the basis of spend, sustainability impact, and modern slavery risk. Together, these suppliers account for the majority of its managed spend. Through engagement, such as forums, we showcase the latest sustainability thinking and insights. This year, for example, was focussed on the role that green upskilling and green jobs need to play in achieving a just transition. There was also a deep-dive session into the need to transition from spend based estimates to actual service and product carbon footprinting.

Business travel relating to the delivery of our services to clients and the management of our own organisation is a significant source of emissions for the Group. The Group, however, embraces a hybrid way of working with clients, where face to face meetings complement virtual engagement. Travel will always be a part of the Group's client delivery model and managing the business travel impact is a key focus in each of our territories, particularly across the Middle East and Channel Islands, where lower emission modes of transport are not available. In support of setting travel policy and the management of travel based emissions, travel dashboards have been rolled out to senior leadership in each territory. In particular, the Middle East firm is engaging with suppliers to support lower carbon intensive travel arrangements. These tools also summarise the carbon emissions disaggregated by Scope 3 business travel category in a format that can be presented to clients.

The UK Firm's comprehensive 'Thoughtful Travel' programme is designed to challenge travel related planning and choices across our business through improving management information and the way we choose to operate. It supports decision-making with respect to managing down business travel in each line of service.

The Group continues to strengthen our broader environmental programmes, such as our waste reduction strategy which focuses on segregation of waste, communication with staff to support behaviour change and partnering with suppliers to eliminate single use disposable items, reduce packaging, catering waste, and extending our assets' useful economic lives. As part of our forward looking energy strategy, we have created an 'art of the possible' energy reduction pathways for each office covering building optimisation, new technology, efficient equipment upgrades, working practice shifts, and real estate moves.

Key UK Firm metrics

In accordance with the requirements of Part 7A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the information presented below with respect to GHG emissions and energy consumption is for the UK only and so excludes emissions and energy consumed outside of the UK (and therefore the Middle East and Channel Islands).

UK Firm metrics and progress against our broader sustainability targets, which are aligned to the World Economic Forum (WEF) core metrics as a framework can be viewed on the Integrated Reporting Hub: https://www.pwc.co.uk/who-we-are/reporting-hub.html.

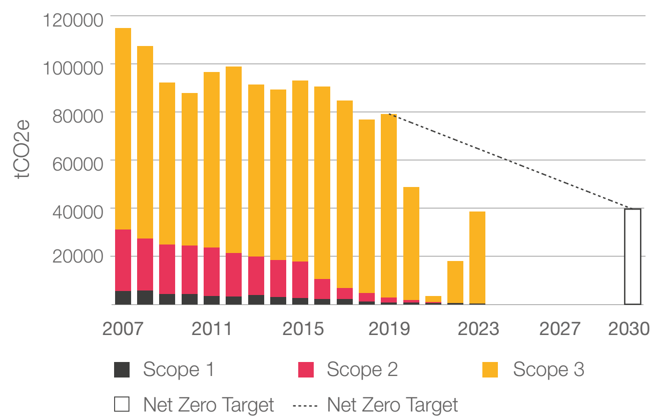
The UK Firm will continue to work with the Middle East and Channel Islands territories to further develop and standardise Group emissions reporting in 2024.

GHG emissions

The graph below illustrates our UK emissions reduction progress towards our Net Zero target to halve our operational carbon footprint by 2030 against our 2019 baseline. We consider our Scope 1, 2 and 3 emissions under the Greenhouse Gas Protocol of 2001, which is a way of categorising the different kinds of carbon emissions created in a businesses operations, and in its wider value chain. A definition of scope 1,2 & 3 can be found in the GHG Protocol at GHG Protocol.

Scope 1 emissions cover the GHG emissions that we make directly, primarily through running boilers to heat and cool our office locations. Scope 2 emissions are the indirect emissions which are produced on our behalf, primarily from purchasing the electricity or energy for heating and cooling. Scope 3 emissions are those we are indirectly responsible for through our value chain, for example from business travel and waste generated in our operations. Our extended metrics include emissions from the purchased goods and services in our supply chain and our employees commuting and homeworking.

PwC Carbon emissions (actual vs. target)



Source: UK Firm scope 1, 2 and 3 emissions. This does not include Scope 3 extended emissions (purchased goods and services, employee commuting and employee working from home). Our full UK carbon emissions are published in our Integrated Reporting Hub: https://www.pwc.co.uk/who-we-are/reporting-hub.html.

The UK has been measuring, reducing and offsetting its operational carbon emissions since 2007. In that time, the total carbon footprint has significantly reduced, with emissions declining to 38,527 tonnes of carbon dioxide equivalent (tCO2e) in the financial year ended 30 June 2023, 51% below our current reporting baseline of 2019. Over the same period, the UK Firm, as the largest revenue proportion of the Group, has seen strong revenue growth, whilst UK Firm total emissions intensity (tCO2 / £m revenue) has fallen from 23 in 2019 to 9 in 2023.

Climate and energy reporting continued

	2023 variance against baseline	Tonnes CO_2e[1]		
		2023	2022	2019 Base
Scope 1	-55%	376	582	841
Gas (natural and biogas)	-56%	305	361	697
Biodiesel	-100%	0	0	19
Stationary combustion of fuels	-57%	305	361	716
Fugitive emissions	-43%	71	221	125
Scope 2 (market based[2])	-100%	–	–	2,139
Electricity consumption (market based[2])	-100%	–	–	2,139
Electricity consumption (location based[3])	-42%	4,002	4,590	6,879
Scope 3	-50%	38,151	17,439	76,214
Fuel and energy related activities	-18%	1,699	1,932	2,076
Waste generated in operations	-64%	16	14	44
Accommodation	-72%	2,568	1,621	9,043
Air	-49%	29,910	12,029	58,531
Rail	-32%	1,461	745	2,149
Road[4]	-43%	2,497	1,098	4,371
Company car (SECR)[5]	-64%	1,345	813	3,713
Other road emissions	75%	1,152	285	658
Business travel	-51%	36,436	15,493	74,094
Scope 3 (extended)	1%	65,929	58,079	65,392
Purchased goods and services[6]	3%	53,002	46,316	51,627
Employee commuting and working from home[7]	-6%	12,927	11,763	13,765
Total Scope 1, 2 and 3 emissions (market based[2])	-51%	38,527	18,021	79,194
Total Scope 1, 2 and 3 emissions (location based[3])	-49%	42,529	22,611	83,934
Total Scope 1, 2 and 3 emissions (SECR[8])	-50%	5,652	5,764	11,308
Total emissions offset (percentage)	100	100	100	100
Total emissions intensity SECR (tonnes CO_2e / £m revenue[8])	-58%	1.4	1.5	3.3
Total emissions intensity (tonnes CO_2e / £m revenue[9])	-59%	9.3	4.8	22.9

1 The emissions presented in this table arise only in the United Kingdom and so exclude the emissions of our subsidiaries in the Middle East and Channel Islands. However, emissions relating to services acquired from overseas delivery centres in which the UK Firm has an equity stake are included in the purchased goods and services category.

2 Emissions under the GHG protocol 'Market based' approach, reflecting the nature of the contract with our electricity providers.

3 Emissions under the GHG protocol 'Location based' approach, reflecting the average emissions intensity of the grid on which energy consumption occurs

4 Road travel emissions include company car business mileage and taxi travel.

5 In line with SECR requirements, company car emissions are fuel reimbursed to employees following claims for business mileage.

6 Includes emissions from capital goods and upstream transport and distribution. PG&S emissions are calculated based on spend and an emission factor. For FY23 these emissions factors have increased to reflect significant shifts in the global economy.

7 Includes emissions from employees working from home or commuting to the office and client site

8 The total emissions calculated under the SECR guidelines comprise the stationary combustion of fuels, location based electricity consumption and company car business travel.

9 Our total emissions intensity is based on total Scope 1, 2 and 3 emissions (market based)

We continue to review and enhance the methodology for the calculation for our emissions metrics to adopt best practices. Where these enhancements or changes in estimation lead to more accurate data, we will restate comparative information.

Climate and energy reporting continued

Following the easing of pandemic-related travel restrictions and pent up demand in 2022, the UK's business travel rose, resulting in the overall increase in total emissions. However, as a result of the ongoing contraction in 'Scope 3' business-related travel, our total emissions were 51% below our 2019 baseline. The UK is committed to exploring opportunities to decouple our emissions from business growth and we are expecting to see this impact reflected through emissions reduction over the next two years. The UK has proactive initiatives to manage its travel emissions in support of the 2030 reduction target.

Having used emission avoidance credits to offset the UK Firm's carbon emissions since 2007, the price and availability of carbon offsets are also closely tracked. In 2023, as part of a portfolio of projects supported by the PwC Network, we used 3 REDD+ emission avoidance projects in recognised biodiversity hotspots to offset our Scope 1, 2 and 3 emissions. The UK Firm has also made a commitment to purchase high integrity nature based avoidance carbon credits from 2024 to 2028, verified against the independent and rigorous ART/TREES standard, as part of the private-public LEAF Coalition (Lowering Emissions by Accelerating Forest finance) aimed at protecting the world's tropical forests at scale.

The UK Firm uses the 'Market based' approach to calculating our Scope 2 emissions from electricity, which reflects its renewable electricity contract. To align with the GHG Protocol, a number of categories included within the Scope 3 emissions have been extended to incorporate those which are not within direct operational control of the territory. These relate to commuting, working from home and supplier emissions associated with the goods and services we procure. Beyond the current Net Zero targets are a number of initiatives to engage with the UK Firm's people and suppliers in reducing and offsetting their respective emissions, such as our Sustainable Living at Home guide, Sustainability Champions, and energy saving webinars. To support our suppliers on their Net Zero journey, a free SME support programme was offered to over 100 of our Small and Medium sized Enterprise suppliers and covered 15% of our total spend. This included Net Zero training materials, carbon footprinting tools, and thought leadership materials.

Energy consumption

The UK Firm's energy reduction programme spans all its offices (19 at 30 June 2023) and focuses on consolidating and redesigning office space, operating more efficiently, investing in new technology, and encouraging employees to act sustainably.

During the financial year ended 30 June 2023, the UK Firm met its target of sourcing 100% of electricity from renewable sources.

UK Energy consumption	Units	Variance	2023	2022
Total SECR energy consumption	Million kWh	6%	35	33
Gas (natural and biogas)	Million kWh	14%	10	9
Electricity	Million kWh	-4%	21	22
Business travel: road	Million kWh	63%	4	2

The UK energy consumption increased by 6% in FY23. The primary driver for the increase in energy consumption was the rise in business travel by road, with the total distance travelled being 68% higher than in 2022, however it remained lower than baseline. Additionally, overall gas consumption increased by 14%, mainly attributable to an extended cold spell in early 2023 and running tri-fuel generators to produce electricity and reduce our reliance on grid electricity. Despite the increased gas consumption, our associated gas GHG emissions have decreased due to increasing our proportion of renewable biogas.

Management and standards

The UK Firm uses a variety of recognised external environmental standards to help maintain rigour and continuously improve its processes, see subsection 'Progress and targets' above.

The Greenhouse Gas Protocol, UK Government environmental reporting guidelines and emission factors, including UK government Department for Energy Security and Net Zero ('DESNZ') factors, and European residual mix factors ('RE-DISS') have been used to calculate the GHG footprint in this report.

Information on targets and related programmes can be found on the UK Firm's website and in its Carbon Reduction Plan.

Climate and energy reporting continued

About this disclosure

These metrics focus on the consumption of energy and the associated carbon emissions in the financial year ended 30 June 2023.

A separate report has been issued by Crowe U.K. LLP on their limited assurance engagement in accordance with ISAE 3410 standard for GHG emissions; there were no reservations.

The Climate risk statement on pages 57 to 73 was authorised for issue and signed on 10 August 2023 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC30325, by:

Marissa Thomas
Managing Partner – Chief Operating Officer

Designated Member

A complete list of the members can be found on the Companies House register.